Austria	Sch22	Indonesia	Rp3100	Portugal	Esc120
Bahrain	Din0.650	Israel	Sh3.50	S.Arabia	Rls7.00
Belgium	BFr48	Italy	L1700	Singapore	S$4.10
Canada	C$1.00	Japan	Y300	Spain	Pta145
Cyprus	C£0.90	Jordan	Fils500	Sri Lanka	Rup30
Denmark	DKr10.00	Kuwait	Fils500	Sweden	SKr9.00
Egypt	E£2.25	Lebanon	$US1.25	Switz	SFr2.20
Finland	Fmk7.00	Lux	LFr48	Taiwan	NT$65
France	FFr6.50	Malaysia	Rin4.25	Thailand	Bht50
Germany	DM2.30	Mexico	Pes300	Tunisia	Din0.800
Greece	Dr120	Morocco	Dh6.00	Turkey	L600
Hong Kong	HK$12	Neth	Fl3.00	UAE	Dh6.50
India	Rup15	Norway	Nkr10.00	USA	$1.00

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EUROPE'S BUSINESS NEWSPAPER

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Black Monday: six months after, Page 38

World News

Hostage plea for release of Kuwait prisoners

A HOSTAGE aboard the hijacked Kuwaiti aircraft, now in Algiers, made an appeal from the aircraft yesterday for the hijackers' demands to be met "or the picture for all of us will be black."

Awad Doukhi, one of the estimated 31 hostages still on the Boeing 747 seized on April 5, said they were all in good health. Shortly after his appeal an Algerian mediator entered the aircraft for about half an hour but there was no sign of a breakthrough.

On Saturday, in a statement to three reporters summoned to the aircraft door the hijackers said that they wanted to leave Algeria to "liquidate our account with Kuwait elsewhere." The jet is believed to have four hours of fuel aboard. Page 20

28 killed in Punjab

Twenty eight people, including 10 Sikh terrorists, were killed in the troubled northern Indian state of Punjab over the weekend, bringing the death toll so far this year to more than 740. Page 4

Massacre in Kenya

Rustlers killed 192 villagers and injured 50 others in raids on 30 nomadic camps in the remote Turkana district, Kenyan newspapers reported. Police killed 40 rustlers with the rest escaping over the Sudan border.

Poles defy ban

As many as 10,000 Poles marched under opposition banners through the site of Warsaw's former Jewish ghetto in a proscribed commemoration of the 1943 ghetto uprising.Page 3

Blow to Prescott

Leaders of the TGWU and GMB unions yesterday asked Mr John Prescott to withdraw from the deputy leadership race of the UK Labour Party, placing considerable pressure on Mr Prescott to end his challenge to Mr Roy Hattersley.

Palestinians jailed

An Israeli court sentenced to life imprisonment three members of the Popular Front for the Liberation of Palestine for killing an Israeli civilian in Jerusalem's old city last October.

Heysel trial to open

The trial in Belgium of 26 British soccer fans and three Belgian officials, charged after the Heysel stadium deaths in 1985, opens today but is expected to be adjourned.

French jail riot

Some 250 Prisoners at a jail in Mulhouse, eastern France, eventually surrendered after a 16-hour riot which left 10 injured and most of the buildings destroyed. The prisoners, who took a nun and a warder hostage, demanded better living conditions.

Soviet fishers die

At least five Soviet fishermen from the Baltic republic of Latvia fell through ice while fishing. The journal Sovietskaya Latvia reports that 1,000 fishermen were stranded on ice flows on Lake Chudskoe after ignoring thaw warnings.

Prisoners on run

Five prisoners were still on the run from Cork jail after the first 24-hour nationwide strike by Irish Republic prison officers. Three other escaped prisoners were recaptured.

Marathon winner

Henryk Jorgensen of Denmark won the eighth London Marathon. He was first out of a world record of 22,350 registered runners in a time of 2hrs 10mins 20secs.

Rome airport strike

Air traffic over much of southern Italy was halted by a 12-hour air traffic controllers strike at Rome's Fiumicino and Ciampino airports. The dispute was over staffing levels.

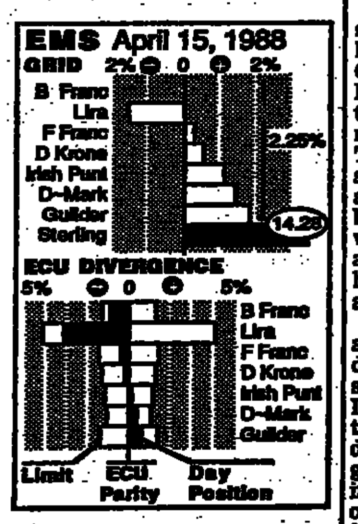
Business Summary

EC plans to harmonise VAT duties under fire

THE EUROPEAN Commission's plans to harmonise value-added tax rates and excise duties are criticised in a new report to be presented in Luxembourg today to finance and economic ministers of the 12 member nations.

European Monetary System: Attention was on the dollar for much of last week, and this tended to keep the EMS quiet. The Group of Seven meeting in Washington produced no surprises, but the widening of the February US trade deficit was a shock. The main beneficiary from the dollar's fall on the trade news was sterling, and this helped to limit any upward pressure on the D-Mark.

The French franc appears to be vulnerable, in the run up to the French presidential elections, and also suffered last week from disappointing French trade figures. The Bank of France intervened from time to time, to buy the franc against the D-Mark, but appeared to have no problem in stopping any potential slide in the currency.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move by more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (Ecu), itself derived from a basket of European currencies.

BEKAERT, internationally diversified Belgian steel wire maker, announced a 23.6 per cent decline in net profits after a BFr1.6bn ($46.1m) extraordinary charge for the costs of cutting its domestic workforce. Page 23

NATIONAL SAVINGS made a contribution to UK government funding of only £2.08bn in the financial year which ended on March 31, the lowest figure for more than a decade. Page 11

JACOBS SUCHARD, Swiss coffee and confectionery group, which last week snapped up 25.7m shares in Rowntree, the UK sweets manufacturer, has written to the British company, suggesting a meeting. Page 24

KOPPERS, Pittsburgh-based building materials and chemicals company which is fighting an unwanted $1.7bn bid from British building group Beazer, has won a further court injunction against its aggressor. Page 24

WEST GERMAN companies which have not accepted agreed insider trading rules will be singled out in the daily official record of the country's eight stock exchanges from the beginning of next month. Page 21

CIBA-GEIGY, Swiss chemical and pharmaceutical group, wants to tighten its statutory restrictions on the registration of registered shares. Page 21

NOVA CORPORATION, Calgary energy group, has won another step in its fight to gain control of Polysar Energy and Chemical Corp. Polysar shareholders defeated a management proposal to issue 4.6m common shares to Union Carbide Canada in exchange for a 1985 convertible preferred issue. Page 23

Roberto Ruffilli: political aide

Italy fears return of political assassinations

BY ALAN FRIEDMAN IN MILAN

THE MURDER at the weekend of Italian Senator Roberto Ruffilli, a 51-year-old Christian Democrat, has raised fears of a renewed targetting of political figures by Italy's Red Brigades terror organisation which admitted the killing.

Mr Ruffilli was one of Prime Minister Ciriaco De Mita's closest aides on the delicate matter of institutional reform. A shaken Mr De Mita reacted by saying that "it feels as though we have returned to the days of Moro."

The execution-style killing of Mr Ruffilli, who on Saturday afternoon was shot in the back of the neck in the living-room of his home in Forli, near Bologna, is replete with political symbolism.

The former university professor, a leading Catholic intellectual, had only a day before written the key passage concerning the reform of Italy's political institutions, which is contained in the speech that Mr De Mita is to make tomorrow before parliament.

In addition, the murder comes during the month in which former Premier Aldo Moro, author of Italy's "historic compromise" between Christian Democrats and Communists, was 10 years ago being held by the Red Brigades before his murder.

Mr De Mita has stressed the importance of opening a dialogue with the opposition Communists on the matter of institutional reform.

Mr De Mita, who on Saturday night raced to Forli, said: "The warning from the terrorists could not have been clearer. It was just as clear as the killing of Aldo Moro, when the Red Brigades struck at a turning-point in Italian politics."

The Prime Minister, who covered his face to hide his tears, pledged that his new Government would not be intimidated by the Red Brigades.

Responsibility for the killing of Mr Ruffilli was claimed by the Fighting Communist Party of the Red Brigades, a faction which last year attacked a postal van in Rome, killing two policemen and

Continued on Page 20

Israeli clampdown on West Bank as Tunis killing prompts riots

BY TONY WALKER IN TUNIS AND ANDREW WHITLEY IN JERUSALEM

THE ISRAELI ARMY clamped exceptionally severe restrictions on movement within the occupied West Bank and Gaza Strip yesterday, after the worst single day of disturbances since the unrest began in early December.

According to Palestinian sources, at least 15 people were killed on Saturday – seven in the Gaza Strip and eight in the West Bank – as demonstrators took to the streets in response to the machine-gun assassination in Tunis of Mr Khalil al-Wazir, the senior PLO leader better known as Abu Jihad. The operation is being widely presumed to be the work of Israeli commandos, although the Israeli authorities have refused to comment on such allegations.

Saturday's death toll was twice as high as that on any previous day, raising the overall figure since the uprising began on December 9 to 156 at a conservative estimate. It belied the confidence being expressed by several generals last week that the uprising was on the wane, and dashed official hopes that the Moslem fasting month of Ramadan could mark its end.

Clampdown: An Israeli soldier arrests a Palestinian man during demonstrations on the West Bank at the weekend

Yesterday, the first day of Ramadan, was marked by a general strike throughout the occupied territories. In Gaza, where several of Abu Jihad's relatives, including the noted lawyer, Mr Fayez Abu Rahme, still live, three days of mourning were declared.

In Tunis yesterday, an emotional Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, responded to the murder of his chief lieutenant by pledging that the Palestinian uprising in the West Bank and Gaza Strip would continue until victory.

Continued on Page 20

Eye for an eye and PLO's vulnerability, Page 2

Norway shipping group set to expand overseas

BY KAREN FOSSLI IN OSLO

PLANS BY Kvaerner Industrier, the Norwegian engineering, shipping and shipbuilding group, to buy British Shipbuilders' Govan yard in Scotland, are part of wider moves by the group to expand internationally, it was disclosed yesterday.

Kvaerner says it has given up shipbuilding in Norway because of the high costs of materials and labour, and is now seeking to secure ownership or co-operation agreements with overseas yards.

It became known on Friday that the British Government is close to agreeing to sell the Govan yard in Glasgow which accounts for about 40 per cent of state-owned British Shipbuilders' remaining capacity and employs about 2,000. The move almost certainly lead to the sale or closure of the group's other yards.

To complete the Govan deal Kvaerner will have to obtain a permit from Norway's central bank, Norges Bank, to export the capital it needs for the purchase. An official from the country's Ministry of Industry said this was likely to be a formality and he saw no reason why Norway would seek to block the deal.

He added that the Norwegian Government encouraged domestic companies to expand abroad to strengthen their positions at home.

However, a vote by Kvaerner shareholders will be needed, and protests could come from Norwegian labour unions, which have fought the closure of several Norwegian shipyards and offshore oil industry construction yards as activity in recent years has tapered off.

Kvaerner's employees and unions have not yet been informed about its negotiations with yards outside Norway.

In Scotland, trade union leaders yesterday opposed any further privatisation of British Shipbuilders, but made no specific move to block the likely sale.

Shop stewards from the yard, who met yesterday, will today meet Govan management to discuss the negotiations which have been taking place on the sale.

Mr John Edmonds, general secretary of the GMB general union, which represents about two-thirds of Govan's workforce, said the unions were shutting no doors at the moment, but simply wanted to find out more information.

However, he said the unions' concern was that "the solution of one yard's problems is that the next in line becomes more vulnerable, and the work slowly seeps away."

Mr Hans Joergen Frank, managing director of Kvaerner's shipbuilding and offshore construction yard in Stavanger, Moss Rosenberg Verft, said the company was also investigating price levels to build gas carriers in a move to upgrade its fleet.

Kvaerner has stakes in 40 gas carriers used to transport gas and chemical cargoes. The fleet operates as a separate unit in which its main partners include Neste, the Finnish state oil company, and the Norwegian Havtor group. About a year ago, the unit bought the gas carrier fleet of UK-based P&O.

Mr Frank said that the group saw a general trend in the gas carrier and chemical markets whereby rates were on the increase for these vessels.

A recent report on the shipping industry issued by Norse Partners, an Oslo stockbroker, said the contracting of new gas ships showed the highest activity in the second half of 1987. The second-hand market, said Norse's report, was more active than it had been for many years, and in some cases prices had increased by 100 per cent.

Mitterrand breathes new life into tired campaign

By Ian Davidson in Paris

A SUDDEN drop in the standing of President François Mitterrand in one of France's manifold opinion polls last week sent a *frisson* of fear through his Socialist Party supporters that the campaign might after all be in real danger of slipping from their fingers, by inadvertence or sheer lack of energy.

At the same time, Mr Jacques Chirac, the Prime Minister – and the President's chief right-wing challenger – began to step up personal attacks on Mr Mitterrand, insinuating in particular that at 71 he is too old for the job.

Mr Chirac charged that Mr Mitterrand would not have the "physical force" required for conducting international negotiations.

Mr Mitterrand responded to the anxieties of his friends and the accusations of his chief rival, with a day of campaigning which would have exhausted many a younger man and which was all the more impressive in that Mr Mitterrand appeared to enjoy himself and inspire his audiences more and more as the day went on.

The culmination was a speech near Lyon, lasting over 100 minutes, which the rapturous crowd, estimated at around 20,000, repeatedly interrupted with chants of "Mit-ter-rand! Mit-ter-rand!"

The day began quietly enough, with a visit to the small town of Grans near Marseilles.

In Marseilles in the afternoon, things warmed up significantly, with a longer and more impassioned speech which elicited cheers from the audience and the crowd outside.

Long a socialist fiefdom, Marseilles is now challenged by the problems of immigration and the rise of the National Front.

Surprisingly, Mr Mitterrand did not refer to the immigrant question specifically, nor did he repeat socialist charges that Mr Chirac was in tacit collusion with the National Front.

At his big meeting near Lyon, Mr Mitterrand's first words were: "I believe in France. All is possible if one wants it. Do you want it?" "Yes!", came the answering roar. "For the second round as well?" "Yes!"

If his supporters were afraid that the campaign might go by default, here at last was a François Mitterrand in fighting form, with all the forceful oratory for which he is famous, and with a large and passionate crowd urging him on to victory.

At last the French Presidential election campaign seemed to be coming alive.

De Benedetti to be tested by challenges in Italy

BY ALAN FRIEDMAN IN MILAN

MR CARLO De Benedetti, the Italian financier, faces two serious challenges in Italy which are both expected come to a head in the next 10 days.

The new struggles concern the shareholding control of Mondadori, one of the country's largest publishing groups, and Credito Romagnolo, the wealthy Bologna-based private bank.

Coming when the dust has barely settled on his defeat at last Thursday's chaotic meeting in Brussels of Société Générale de Belgique, the outcome of the deals could test the present prominence of Mr De Benedetti, whose Italian interests include the chairmanship of Olivetti.

The Mondadori affair should come to ahead at a shareholders' meeting called for the end of next week. Mr De Benedetti controls between 25 and 30 per cent of Mondadori and has formed an alliance with the family of the late Mr Mario Formenton, former chairman of the group. The Formentons hold a further 25 per cent of the group.

However, Mr Leonardo Mondadori, who with 24.5 per cent finds himself in a minority position, launched a blistering attack on Mr De Benedetti at the weekend.

In a newspaper interview Mr Mondadori said he would "sell the family silver" in order to buy Mr De Benedetti out. But Mr De Benedetti has said that he has no intention of selling. The Formentons claimed yesterday that Mr Mondadori had made a number of "false statements."

Meanwhile, magistrates in Bologna are investigating top executives of Credito Romagnolo for possible involvement in lining up shareholder allies. The Romagnolo battle, between two opposing camps led by allies of Mr Gianni Agnelli, chairman of Fiat, and supporters of Mr De Benedetti has been hotting up for several weeks.

Under Bank of Italy guidelines neither the Agnelli nor De Benedetti groups may own more than a 10-15 per cent stake of a bank, but each side has got round this by holding only a 2 per cent interest and forming shareholder alliances.

A meeting of Credito Romagnolo shareholders is due to take place on the same date as Mondadori's - April 29.

● There is expected to be keen interest again this week on the Milan bourse in Pirelli, the tyre and cables company whose future has been the object of intense interest following a 13 per cent jump in the share price.

The buying has been linked to an unknown person who has been picking up shares in Pirelli SpA, the Milan holding company that controls half of the group's operations.

Mexico reduces budget deficit

BY DAVID GARDNER IN MEXICO CITY

THE MEXICAN Government reduced its budget deficit in the first quarter of this year by the annualised equivalent of 15 percentage points of gross domestic product (GDP), senior finance officials say.

The full nominal budget deficit in the first quarter was thus running at an annualised rate of 2.5-3 per cent of GDP. Last year's budget deficit was 17.4 per cent of GDP. Coupled with the latest round of public spending cuts, of $3bn announced last week, it is intended to demonstrate that the government's shock plan, known as the Economic Solidarity Pact, is more than an elaborate strategy to rebuild support for the long-ruling Institutional Revolutionary Party (PRI) in presidential elections this July.

The Solidarity Pact aims to balance the budget net of the purely inflation-caused portion of the interest bill.

Government strategists plan to consolidate the turnround in public finances through a programme of accelerated privatisation and closures of state enterprises, which could get underway as early as this week with the sell-off of the Cananea mining company, the largest divestiture so far, and the sale or closure of more steel companies.

Its other measures – the realignment of relative prices on key goods like fuel and steel, the freeze on prices of basic goods and services and de facto on wages, a fixed exchange rate and cheaper imports – have already reduced inflation from a record 15.5 per cent a month in January to 5.1 per cent last month.

Interest rates have as a result come down dramatically, by 65 percentage points last month, saving the Government some $800m on its domestic interest bill in March alone.

Final bids are being examined for the Cananea copper mining concern in Sonora, near the US border.

Cananea has in fact turned back into profit and is even paying interest on its debt again, officials say. The reference price

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CONTENTS

Andrew Gowers examines the context and likely consequences of the assassination of Abu Jihad

Murder underlines vulnerability and diffuseness

THE MURDER in Tunis at the weekend of Khalil al-Wazir, alias Abu Jihad, military commander of the Palestine Liberation Organisation and its effective number two, poses a difficult dilemma for the PLO leaders.

On the one hand, it provides further embarrassing evidence of the PLO's vulnerability. Tunisia has doubled with Iraq as the PLO's headquarters since the guerrilla organisation was expelled from Lebanon in 1983.

Mossad, the Israeli secret service, was almost unanimously presumed (amid an official silence yesterday) to have been responsible. If so, it would seem to have had little difficulty in penetrating the flimsy security of the PLO personnel.

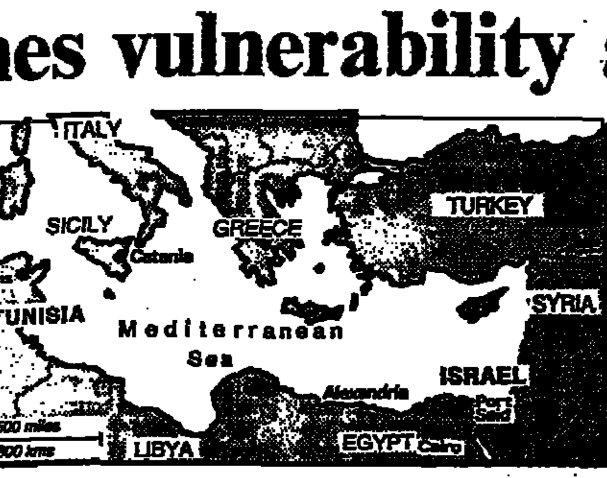
On the other hand, although there will be intense pressure now from the Palestinian rank and file for a fierce response, the PLO's options for retaliation are limited. It remains very weak militarily, its forces divided and scattered across the Arab world.

It has not had a significant military presence in any country bordering Israel since its expulsion from Jordan in 1971 after a bloody civil war, and the depletion of its fighters in Lebanon following the 1982 Israeli invasion.

Its position in Lebanon has improved recently, and it has been stepping up actions within Israel and in southern Lebanon in support of the Palestinian uprising in the occupied territories. Mr Yassir Arafat's Fatah group claimed responsibility for the hijacking of a bus in the Negev desert, close to the key Dimona nuclear installation, on March 7 and a range of Palestinian groups has tried to stage repeated guerrilla infiltrations across Israel's northern border in recent weeks.

Even so, these activities have scarcely constituted a serious challenge for the Israeli authorities.

Moreover, if Fatah and the PLO decide to respond by extending their operations outside Israel and the occupied territories, they risk bringing renewed international opprobrium and



distracting attention from the Palestinian uprising, which has done much to focus Western and Arab concern on their cause in the last four months.

The murder of Abu Jihad is only the latest in a long series of setbacks for the PLO, inflicted from within and without. However, it is the most serious blow to the leaders of Fatah, the group which has represented the core of the organisation since the election of Mr Arafat as its chairman in 1969, and which symbolises its determination to resist attempts by others to speak for the Palestinians. Abu Jihad is by far the most senior figure, and the closest to Mr Arafat, to have been eliminated in the PLO's long struggle. His place will not easily be filled.

The killing also comes at a particularly inopportune time for the PLO, coinciding with its efforts to use the Palestinian uprising in the West Bank and Gaza to enhance its credibility. The uprising in the occupied territories has provided the greatest turning point in the organisation's political fortunes.

It is widely acknowledged that the disturbances took the PLO leaders by surprise when they began last December, and that they were a protest against the clear failure of Mr Arafat and other Arab leaders to achieve anything for their brethren under occupation, almost as much as against Israeli rule.

Articulate West Bank Palestinians are often scathing about the impotence of the PLO leaders during more than 20 years of occupation. There is a widespread feeling that Mr Arafat and his clique — many of whom have built up enormous personal wealth at the head of the organisation — long ago became "just like other Arab leaders", although Abu Jihad seems to have been an exception.

The immediate consequences of the assassination are likely to be a further closing of Palestinian ranks, an acceleration in the tempo of disturbances in the West Bank and Gaza and increased efforts by Arab leaders to show that they are paying more than lip service to Mr Arafat's cause.

Support for the Palestinians continues to be exploited as a principal source of legitimacy by most Arab leaders, and even the Amman summit — which was otherwise preoccupied with the Gulf war — committed them once again to the PLO as the Palestinians' "sole legitimate representative", as it has been since the Rabat summit of 1974.

With or without its military commander, and however dubious its political effectiveness, the PLO (and Fatah in particular) remains a key symbol of Palestinians' national aspirations, whether among the 1.8m Arab inhabitants of the occupied territories or among the 2.5m members of the diaspora who still dream of returning to their homeland.

Killing of Arafat aide robs PLO of military mastermind

BY TONY WALKER IN TUNIS

WHEN Khalil al-Wazir was gunned down in the early hours of Saturday at his home in Tunis it marked yet another stage in an unremitting underground conflict between leaders of the mainstream Palestine Liberation Organisation and elements hostile to it, including the Israelis.

It was not the first time as a leader of the guerrilla organisation that Wazir, better known by his nom de guerre as Abu Jihad ("father of struggle") had been the target of an assassination attempt. He had survived a number in a career that embraced the formation in the late 1950s of a clandestine group that was to become known as Fatah, the dominant PLO faction.

His death at the weekend leaves a big hole in the PLO leadership and is a particular blow to Mr Yassir Arafat, the organisation's Chairman. Abu Jihad, 52, was Mr Arafat's closest confidante; his most reliable aide.

The PLO has now been deprived of the man who was effectively its military commander, responsible for armed operations on Israel's borders. Abu Jihad was behind an intensified campaign of guerrilla actions against Israel since last December in support of the Palestinian uprising in the West Bank and Gaza Strip.

A moderate in PLO terms, Wazir managed, nevertheless, to preserve good relations with most elements of the unruly organisation, including the more militant factions such as the Popular Front for the Liberation of Palestine (PFLP) led by Dr George Habash.

In this role, he was a useful foil for Mr Arafat who was often at odds with the militants who have looked askance on his endless manoeuvring between competing PLO factions. Wazir was an important figure in the negotiations that led last April to a closing of PLO ranks in Algiers when the PFLP and the Marxist Democratic Front for the Liberation of Palestine (DFLP) were reconciled with Fatah at a meeting of the Palestine National Council (PNC), the Palestinian parliament-in-exile.

Abu Jihad's death removes an important prop from the PLO edifice. Since the formation of the PLO in 1964, and more particularly from 1969 when Mr Arafat became its chairman, he had been one of the pillars of the organisation, committed to armed struggle and the formation of a Palestine state.

Throughout a long career as the PLO's chief military strategist, he has faced the difficulty of marshalling the organisation's limited resources and finding bases from which his guerrillas could operate. The PLO's expulsion from Jordan in 1971 and from Lebanon in 1982 weakened it militarily.

Yassir Arafat, left, with his trusted deputy Wazir

It may well have been in retaliation for the bloody hijacking last month by Palestinian guerrillas of a civilian bus in Israel's southern Negev desert, in which three Israelis died, that Wazir was eliminated. He had indicated that the attack on the bus near Israel's Dimona nuclear facility was a Fatah operation.

Born on October 10, 1935 in Ramleh just south of Tel Aviv and Jaffa, Wazir was 12 when, together with his family, he fled his home. He was one among tens of thousands displaced in the conflict between Arabs and Jews that coincided with the formation of State of Israel.

He was to grow up in the slums of the Gaza Strip where he attended a school operated by the United Relief and Works Agency, UNRWA. It was an education of sorts that was to lead to a brief career as a schoolteacher before he embarked on a full-time mission as a PLO organiser by the early 1960s.

A short, vigorous man with a moustache and thinning hair, Wazir was, within the Palestinian movement, one of its most popular figures. He was most directly responsible for PLO activities in the Israeli-Occupied territories. This explains, in part, the furious reaction in the West Bank and Gaza Strip to his death.

Wazir's main preoccupation, after Israel's 1982 invasion of Lebanon effectively destroyed the PLO infrastructure in the south of the country and in West Beirut itself, has been to rebuild a shattered Palestinian armed presence.

From 1984-1986, Wazir was engaged in efforts to promote a joint PLO-Jordanian Middle East peace initiative. He had moved to Amman and was effectively the main link between Jordan's King Hussein and Mr Arafat.

The collapse of the joint peace effort late in 1986 led to Wazir's expulsion from Jordan in the middle of the following year. It was then that he moved with his family to Tunis where the PLO established its headquarters after a 1983 Syrian-backed revolt in its ranks forced it to vacate Tripoli, its last stronghold in Lebanon.

It is something of an irony that Abu Jihad was killed on foreign soil 2000km from his birthplace at a time when the Palestinian resistance which he, perhaps more than anyone else has nurtured, is mounting its most significant challenge to the Israelis.

Radicals impatient with PLO

BY ANDREW WHITLEY IN JERUSALEM

TWO RED, white, green and black Palestinian flags - strictly banned by Israel - were flying from a telephone line outside a health clinic in Gaza's Bureij refugee camp one day last week.

"How long have they been there?" a visitor asked a local resident, aware that such acts of defiance are usually treated by the army as provocations requiring prompt retaliatory action. "Three weeks," came the reply — a remarkably long survival time.

In a nearby house, a young man — active in many of the confrontations residents of this former British army camp have staged with their current occupiers — was scathing about the leadership provided by the Palestine Liberation Organisation in the four-month-old "intifada".

"If the PLO could not do anything for themselves in Beirut, what can they do for us here?" he said, referring to the organisation's 1982 expulsion from the Lebanese capital at the hands of the Israelis.

Public expressions of discontent with Mr Yassir Arafat, a native of Gaza, and the organisation he has headed for the past 19 years, are rarely expressed. During the 1960s, the Gaza Strip was the political proving ground of many of the PLO's top leadership.

But attitudes towards the PLO are more ambivalent these days in the Gaza Strip than they are in the West Bank, where the organisation commands greater unquestioning loyalty. In Gaza, lip service may still be given to the leadership role of the ageing men in Tunis. But, in practice, the torch has been appropriated by an anonymous band of fiercely militant young men. "We are the PLO," is a frequently heard comment in refugee camps.

Over the past few years, the more radical Islamic Jihad movement has made steady inroads in the Gaza Strip at the expense of the PLO, as the latter pursued a more moderate approach to Israel. So much so that even old-time PLO loyalists, men who have served time in Israeli jails for membership of Mr Arafat's Fatah branch, are compelled these days to acknowledge the importance of the Islamic tide in the Palestinian nationalist movement.

Substance to their conversion was given in a survey recently conducted by researchers from the West Bank's Bir Zeit University and from Harvard. This found that nearly 60 per cent of the occupied territories' residents favour a future government based either entirely on Islam, or else one in which the Islamic and secular nationalist forces are represented in equal proportion.

Long before the present uprising began last December, it was clear to Arab affairs specialists in Israel that the indigenous Palestinian population was becoming much more extreme in its views than the organisation abroad which claimed to be its leader.

A carefully researched opinion poll in September 1986 showed that 93 per cent endorsed the standard catechism of the PLO as "the representative of the Palestinian people". Only 1 per cent approved of a confederation between the West Bank and Gaza Strip and Jordan.

More tellingly, 78 per cent of the population supported the use of force in winning the right to self-determination.

The recent hijacking of an Israeli bus in the Negev elicited a curiously mixed reaction from local Palestinian leaders themselves.

While many felt obliged publicly to endorse the legitimacy of the action, others were surprisingly ready to condemn it as a retrograde step.

Israel takes an eye for an eye and its citizens celebrate

BY RICHARD JOHNS

ISRAEL'S RELENTLESS pursuit of the leaders of Al Fatah, the mainstream and predominant group in the Palestine Liberation Organisation, and of other hard-line factions outside that fold, has been motivated by the twin objectives of tooth-for-a-tooth, eye-for-an-eye revenge and prevention of terrorism.

The campaign has succeeded over the past 15 years in eliminating most of the prominent leaders around Mr Yassir Arafat, the PLO chairman, as the PLO emerged as a political and military force in the wake of the Arab-Israeli war of June 1967.

The ranks of the old guard have been further thinned by the assassinations carried out by Abu Nidal's maverick group in its die-hard opposition to any peace settlement.

Mr Arafat and the movement as a whole must be concerned that their places have not been filled by men of equal stature and appeal.

The death of Abu Jihad is an enormous triumph for Israel. "This is one of those cases in which the departure of one person has a direct effect on the quality of (Palestinian) operations", said Dr Ariel Merari of the Jaffe Centre for Terrorist Studies, adding that it was impossible to exaggerate his importance.

The most recent known Israeli attempt at a dramatic coup against the Palestinian armed resistance — an embarrassing, gauche and miscalculated one — was the interception of a Libyan executive jet early in 1986 and its force diversion to Israel.

The intended victims — Mr George Habbash, chief of the Popular Front for the Liberation of Palestine, and Mr Ahmed Jibril, head of the PLFP-General Command - had been attending a conference in Tripoli.

They would probably have been tried and executed if caught. In the event, the passengers of the aircraft turned out to be Syrian officials.

Mossad — the Israeli secret external intelligence service, once headed by Mr Yitzhak Shamir, now Prime Minister — seemed to have bungled badly then. The premier said, somewhat disingenuously, yesterday that all he knew about the weekend assassination of Abu Jihad was what he had heard on the radio.

Jubilant Israeli citizens were unabashed in hailing the killing as a superb Mossad operation.

It had fulfilled an objective of the campaign of assassination, not least because Abu Jihad was assumed to have been orchestrating the uprising in the Israeli occupied territories and to have been responsible for the attack by infiltrators against a bus near Beersheba, in which three Israelis were killed last month.

The latest killing must be regarded by the single most successful strike since three top leaders of Fatah were killed in Beirut nearly 15 years ago — an operation very similar to the assassination of Abu Jihad, which involved prior placement of agents with false passports and infiltration from the sea by elite forces into an easily-penetrated country.

The most dramatic Mossad triumph came in April when Israeli special forces, which had landed near Beirut in rubber dinghies, assassinated Kamal Nasser, Mahmoud Youssef Najjer and Kamal Adwan as they slept in two different apartments.

A bed in which Salah Khalaf (Abu Iyad) would have spent the night, but for a last-minute change of mind, was riddled with 200 bullets.

Mossad finally caught up with Salameh when it succeeded in placing a bomb in his car in 1978 and blowing him up. Abu Daoud, another prime target, was wounded in a Warsaw hotel in 1981.

Mr Arafat himself has always taken great care to conceal and change his plans — to protect himself from Arab enemies as well as the Israelis. He is known never to have slept in the same place for two consecutive nights when he was able to operate in Beirut.

According to his biographer, Alan Hart, Mr Arafat's air travel (usually by courtesy of a friendly Arab government) follows two basic rules — only fly over certain places by night, and never arrive at or leave Beirut.

It is doubtful, though, whether Mr Arafat has been a Mossad target, at least in recent years.

The Israeli Government probably sees him as a figurehead who represents some continuity and a measure of certainty. It may prefer him to survive and continue in office, on the principle that the devil you know is better that the one you do not.

Raid confirms Tunisians' worst fears

BY FRANCIS GHILES IN ALGIERS

TWICE in two years, bold attempts have been made to murder Palestine Liberation Organisation leaders based in Tunis.

The Israeli Air Force missed Mr Yassir Arafat, the PLO chairman, when it bombed his headquarters in the autumn of 1985. This time, whoever murdered Abu Jihad had an easy task of landing on the shores north of the coastal suburb of Sidi Bou Said.

The outrage confirms the fears of many Tunisians who had been reluctant to see Mr Arafat's headquarters moved to their capital in 1983.

The former Tunisian President's second wife, Mme Wassila Bourguiba, was happy to accept the PLO presence, and the US lobbied hard to overcome the fears of those members of the Tunisian establishment who had a premonition their country would be drawn more deeply into the Middle East violence.

The murder of Abu Jihad is deeply insulting to President Zine El Abidine Ben Ali, whose own residence lies not more than a mile from the house where the PLO official was murdered.

Mr Ben Ali faces the difficult task of trying to inject a measure of democracy into what was becoming an increasingly authoritarian and repressive regime, whose very legitimacy last summer was being challenged by Moslem Fundamentalist groups.

The Tunisian Head of State has his hands full seeing through reforms aimed at liberalising the economy, a policy which has the full support of the World Bank and the International Monetary Fund. His efforts come among serious problems besetting the country, including the gravest plague of locusts within the past 30 years.

Since taking office, the new Head of State and his Minister of Foreign Affairs, Mr Mahmoud Mestiri, have concentrated their efforts on establishing better relations with Tunisia's southern neighbour, Libya.

Together with the Tunisian Prime Minister, Mr Hedi Baccouche, and in close consultation with the Algerian leaders, Mr Ben Ali has agreed to re-open the frontiers between the two countries and allow Tunisian workers, 32,000 of whom had been expelled from Libya in 1985, to return to seek much-needed jobs across the border.

The new Head of State has shown no inclination to involve himself in Middle Eastern affairs. Like much of Tunisia's ruling class, he appears to share the view of the former Head of State, Mr Bourguiba, that the Arab world could not hope to undo what the UN had done - in other words, Israel was there to stay, and the Palestinians should talk to the Israelis directly. Arab leaders vilified Mr Bourguiba for expressing such views, and ostracised him for many years.

But the greatest fear now in Tunis is that such acts of violence will frighten away the more than 1.5m foreign visitors who travel to Tunisia every year. They provide the country with its largest source of foreign income today. It is an income Tunisia can ill afford to see decline.

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Iraq claims victory in battle for part of Faw peninsula

BY OUR MIDDLE EAST STAFF

IRAQ claimed yesterday that its forces had retaken part of the Faw peninsula at the head of the Gulf after storming Iranian defences.

A High Command communiqué issued in Baghdad said announced: "The Presidential Guards units stormed enemy defences and fully destroyed its troops."

The offensive code-named Ramadan Mubarak began early yesterday morning and mainly involved the Presidential Guards annd the Seventh Army Corp backed by some other units, according to the communique.

It said that thousands of Iranian troops were killed or wounded while a large number were captured and only a few managed to flee.

Baghdad Radio started early transmissions and interrupted programmes to broadcast communiques about the offensive, which coincided with the start to the month-long Islamic holy fast.Iran captured the southern part of the Faw peninsula in early 1986.

Iraq also said that it had fired six missiles at Tehran simultaneously at 11.30 am local time, bringing to 174 the total launched against Iran since the current "war of the cities" began at the end of February.

There was no Iranian comment about fighting on the Faw peninsula, but in Tehran leaders of the Supreme Assembly of Islamic Revolution in Iraq said that a division made up of Iraqi exiles had reached the eastern and southern banks of Darbandikhan Lake and were only 6km from the dam and hydroelectric power station which supplies Baghdad with much of its electricity.

Sheikh Abu Ali al Moula, chief of the assembly's military wing, said that capture of the generating plant would involve a "major breakthrough in our war with Iraq".

Led by Shia clergy, the assembly recruits fighters from the estimate 500,000 Iraqi exiles in Iran. Sheikh Moula said that the division was deployed at several points along the front and was active behind Iraq lines. One third of its fighters were Kurds, headded.

●Iran said yesterday that it would "respond with the utmost force" against any US military retaliation against the underwater explosion last Thursday – believed to have been a recently laid mine – that damaged the guided missile frigate USS Samuel B. Roberts in the Gulf.

On Friday President Ronald Reagan discussed with senior advisers possible military optiions. The Washington Post said one was a retaliatory strike against a number of possible targets.

Poles defy ban to mark anniversary of Ghetto

By Christopher Bobinski in Warsaw

SEVERAL thousand people yesterday marched at ceremonies to mark the 45th anniversary of the Warsaw Ghetto uprising in the Polish capital, ignoring police warnings that the march was illegal.

The events came two days before the official ceremonies, which this year will be attended by a record 2,000 visitors from Israel, underscoring an improving relationship between Israel and Poland. Visitors will include Mr Yitzhak Navon, the country's deputy premier, and Mr Abram Shamir, Education Minister.

Opposition leaders and their supporters gathered under the black marble monument to the rising to pray and hear a tribute and plea from Mr Lech Walesa, the Solidarity leader, that "the painful signs of anti-Semitism" in Poland "be forgiven."

A procession including Mr Mark Edelman, a surviving leader of the uprising, later moved unhindered by police to the place from which more than 350,000 Jews transported to the Treblinka death camp. Many carried opposition banners.

Similar crowds attended a ceremony at Warsaw's Jewish cemetery commemorating pre-war Socialist International leaders.

Victor Mallet in Lusaka examines President Kaunda's move to revoke trading licences

Pushing Asians to end of the queue

S.J. PATEL'S supermarket in Chachacha Road, Lusaka has disappeared, hastily transformed by sign painters into a Zambian state-owned chain store.

In the next street, Freedom Way, paramilitary forces are guarding other Indian shops shut down in recent weeks by presidential decree. The same picture is repeated all over the country.

For thousands of Asian businessmen in Zambia, President Kenneth Kaunda's decision since February to use emergency powers and revoke more than 180 trading licences - mostly those of Indians - smacks of Idi Amin's persecution of Ugandan Asians.

The authorities have confiscated dozens of Zambian and British passports from Asians, taken away cash and goods, and threatened to deport those who have lost their licences. So far 36 of the businesses closed have been listed for summary nationalisation.

About 4,000 Asians in Zambia are thought to have British passports, although most of them do not have the automatic right to live in the United Kingdom. Many have already contacted the British High Commission in Lusaka to enquire about moving to Britain.

A typical leading businessman with plans to emigrate was pessimistic about the possibility of any further investment by Indians in their Zambian enterprises. "The whole Asian community is really jittery right now," he said. "Even if they gave back the shops tomorrow, people would still be living from day to day."

In the diplomatic community and among other expatriates in Zambia, President Kaunda's decree has been seen as a characteristic case of the Zambian Government failing to look before it leaps into a decision on economic policy.

After riots in December 1986 over the price and availability of the staple food, maize meal, the authorities nationalised private maize milling companies. Subsequently Zambia threw out the International Monetary Fund and spurned the advice of other donors. Now Indians traders are being forced out of business.

Zambia seems finally to have run out of scapegoats at a critical time. The queues outside the shops for basic foods such as maize meal, bread, sugar and cooking oil are longer and more desperate than at any time in the past five years.

The government's justification for the crackdown on businessmen was that they were involved in economic sabotage and in the black market. Precious little evidence has been offered to support these allegations, even if everyone knows they contain an element of truth.

Certainly the move against Asians was popular with poorer Zambians in an election year. Many observers regard Asian-bashing as a traditional electoral ploy of African leaders - although hardly necessary in a one-party state such as Zambia where the nature of the elected government and the name of the president are foregone conclusions.

The Times of Zambia newspaper, owned by the ruling United National Independence Party (Unip), summed up the popular mood about Asians: "Most of them had it coming," it said in a blunt editorial.

President Kaunda, on the other hand, took pains to deny racial motives. "It was not racial at all," he said. "Licences were withdrawn from people who are white, brown, yellow and black, with a flat nose like mine."

Whatever the motives (some blame the crackdown on influential Zambian individuals who covet particular shops, others attribute it to Unip's long-standing suspmcion of private enterprise) the recent closures have done nothing to alleviate the infamous queues.

Queueing has recently become a sensitive political issue and a national pastime which rivals funeral-going as a reason to take time off work.

To add to the long-standing problems of shortages and smuggling of subsidised food to neighbouring countries, inefficient state companies with city-centre stores seem to have been favoured with supplies at the expense of more accessible private traders in residential areas.

At least three deaths have been linked by the Zambian press to the queueing, and angry scenes outside shops have become common in many parts of the country, particularly the copperbelt region in the north. In March a 24-year-old housewife was killed in Ndola during a stampede for sugar and cooking oil. She was shot by a policeman, apparently when his gun went off by accident.

More recently teargas is said to have been used on shoppers in Luanshya town centre, and in Chingola a woman and baby in a sugar queue were crushed to death by a delivery truck. Four hundred women were reported to have staged a protest march after the incident.

Dr Kaunda must feel uncertain about the future after 24 peaceful years at the helm since independence from Britain. Security is suddenly being stepped up around his Lusaka residence

Zambia at least retains a robust tradition of freedom of speech, even within Unip. One backbench member of parliament recently suggested that the constitution should be amended to restrict presidents to only two five-year terms. Another MP, Mr Palakasa Chiwaya from the copperbelt town of Chililabombwe, spoke of the gathering clouds of a far-reaching disaster.

"If the country continues to decline at its present alarming rate, social unrest may get worse and the government may react by adopting more repressive measures in an effort to contain it."

Taiwan lifts ban over postal link with China

By Bob King in Taipei

THE TAIWAN government has lifted a 39 year ban on postal communications with China.

From today Taiwan residents can send letters and photos to China inside a second envelope to a post-office box in Taipei. Postal authorities there will in turn send them on to the Red Cross in Hong Kong, who will then forward the mail through regular channels to China.

Correspondents may not, however, enclose cheques, cash, or money orders. The envelopes bound for China must also bear the return address of the Hong Kong Red Cross rather than a Taiwan address, and must have $10 worth of postage attached to cover the Hong Kong-to-China routing.

The move marks yet another liberalisation of Taiwan's policies toward China that began last autumn with permission for old "mainlanders" to visit relatives in China, and has continued unabated with recent gestures, such as approval of indirect trade links between the two sides and calls from Taiwan for lessened tensions across the Taiwan Straits.

No Hawaii aloah for Japan's 'speculators'

Carla Rapoport reports from Tokyo

THE JAPANESE are buying big chunks of Hawaii, and the locals are not happy.

"I don't want to see Honolulu become a suburb of Tokyo," says Mr Frank Fasi, the mayor of Honolulu, Hawaii's largest city.

The Japanese have long lusted after Hawaii, America's idyllic Pacific island state. Now they no longer have to yearn. Sky-high land prices in Japan and the strength of the yen have combined to make Hawaii a bargain buy for rich Japanese.

"What we have here are get-rich speculators who have been hampered by recent regulations in Japan (to reduce land price speculation.) So, now they are moving to greener fields and Hawaii *is* their number one plum," says Mr Fasi, speaking from his Honolulu office.

In 1987, he says, nearly half of the condominiums sold in the prime Waikiki area of Honolulu were bought by Japanese. Total investment in Hawaiian property last year is estimated at $7.2bn, more than Japanese investment in either New York or California.

Mr Fasi is campaigning aggressively for a proposed state law which would ban all foreign purchases of residential and agricultural property and land in the island state.

If it is not passed, he says, property taxes, land prices and house prices in Hawaii will go through the roof. Prices in some areas, such as the Black Point beachfront area on the island of Oahu, have doubled in the last year. Agricultural land on the island has shot up from $25,000 an acre to as much as $46,000 an acre.

"We welcome the businessman from Japan. It's the damn speculator I want to get rid of. We've told them, hey, if you want to invest, improve the economy, great. But this speculation is hurting people. Don't mess with our real estate and homes," he says.

Mr Genshiro Kawamoto, president of a Tokyo-based property company and one of the wealthiest men in Japan is one of the alleged speculators.

Last week Mr Kawamoto closed a $43m deal on a lavish villa in Oahu. It was the highest price ever paid for a residential property in the islands' history. But this purchase has not made a dent in his appetite or his bank book. In the last six months, he has bought 160 condominiums and houses in Hawaii alone.

Speaking from Honolulu, Mr Kawamoto vigourously denied his critics' allegations. He is not hurting the local people, he said. In most cases, he leases back the homes to their former owners at a rent which is below the interest they earn on the purchase price.

Even so, he says he has temporarily halted his shopping spree because of the row over Japanese investment. "I initially planned to buy 1000 condos, but because of this argument, I stopped it. But if people say, please, buy my property, I will start again," he says.

He claims that Mr Fasi is using the issue to bolster his political fortunes. He also says that if the government and Hawaii's wealthier residents would release some of their excessive land holdings, property prices would ease.

From the mayor's office, this argument cuts no ice. "I maintain the average family in Tokyo would agree with me. They can't afford to buy a place in Japan. I don't want that to happen here."

Nicaraguan peace move stalled by Contra misgivings

BY CHARLES CASTALDI IN MANAGUA

A DELEGATION of 50 US-backed contra rebels arrived in Managua on Friday evening to begin a second round of high-level peace talks with the Nicaraguan government.

Some of the Contra leaders called their arrival in the capital "a political triumph" but their mood appeared sombre, reflecting a tangle of contradictions inside the contra organisation that have surfaced since they signed an accord with the Nicaraguan government three weeks ago.

Now that both sides are going to have to deal substantially if a permanent ceasefire is to be reached, the optimism of three weeks ago has vanished. The head of the government delegation, Gen Humberto Ortega, said that having the contras in Managua was "a bitter pill for the Nicaraguan people to have to swallow after all the blood that has been spilled."

The Sandinistas have also been publicly critical of the contras' repeated delays and late arrivals at a series of technical meetings over the last couple of weeks. These were to have established ceasefire zones before the start of the high-level meetings but no agreement was reached. The delays have been caused largely by differences within the contra ranks over how much to compromise with the Sandinistas. Many contra commanders seem convinced their delegation three weeks ago gave too much and accepted too few guarantees.

Then both sides had agreed to a 60-day ceasefire and had committed themselves to come to Managua to establish a permanent ceasefire. Now both sides are saying privately that a permanent ceasefire accord seems unlikely before the Contras leave on Monday.

Death toll in Punjab rises by 28

By John Elliott in New Delhi

A TOTAL of 28 people, including 18 Sikh terrorists fighting for an independent Sikh state, were killed in the troubled northern Indian state of Punjab over the weekend, sending the death toll so far this year beyond 740.

India accuses Pakistan of helping to train and arm the Sikh terrorists, and Mr Rajiv Gandhi, India's prime minister, has stepped up his country's international diplomatic offensive against Pakistan during a visit to Japan and Vietnam.

Returning to New Delhi yesterday, he said he had stressed the "real gravity of the situation" by explaining "how Pakistan is helping terrorists and is also supporting the narcotics trade".

Operations by Indian security forces are being increased in the trouble areas, especially along the Punjab border with Pakistan. Construction of a fence has been started by India in the state of Jammu and Kasmhir, north of Punjab. The fence is to be built along about 200km of the Pakistan border most popular with smugglers and gun-runners.

The killing of 10 leading terrorists was a significant achievement for the largely demoralised security forces. Six of the terrorists died in an eight-hour battle when they were surrounded in a remote village by security forces, three of whom were killed.

There has been a sharp increase in the rate of killings since Mr Gandhi launched a peace initiative last month, when he released five militant high priests and 40 other activists from prison.

Despite the violence and continuing calls from many extremist leaders for an independent Sikh state of Khalistan, the government intends to allow the initiative more time – possibly several months – to develop.

Ministers hope that Jasbir Singh Rode, one of the released priests, will unite militants who are prepared to abandon the claim for a Sikh state. They hope these militants will negotiate then with the government.

Reforms occupy Nationalist Chinese on Taiwan

BY BOB KING IN TAIPEI

FOR THE first time in almost four decades, members of Taiwan's ruling Nationalist Party have not been looking anxiously over their shoulders as China's Communist Party held its national congress.

In fact, the Nationalists' attitude toward the convocation in Peking has almost been one of indifference. Taipei has its mind far more on reforms and restructuring of its own.

From high-level Nationalist officials to the man on the street, the assumption is that the Communist Party of China is taking tentative but positive steps toward reform that, if carried through, can only bode well for Taiwan – and for China.

Taipei's Nationalists, in turn, have begun preparing for their own 13th national congress – a congress as important to Taiwan as the Peking congress is to China.

Mr Lee Teng-hui's ascendancy to the presidency last January and the speeded-up reforms that followed provoked questions that can only be answered by the national congress which begins on July 13.

For instance, while the party has said it will soon replace ageing representatives of bodies such as parliament with more MPs elected from Taiwan, it has not said how many new seats will be available for the Taiwan-born, thus leaving the parliamentary balance of power in doubt.

Similarly, while the government has said it will review its policy toward contacts with China with an eye to further liberalisations – and indeed many are speculating that the scope of contacts will be vastly widened – no-one is certain just how far the Government is prepared to go to put its nodding relations with the People's Republic on a more amicable level.

Argentina's unions win concessions

By Our Buenos Aires Correspondent

A NEW labour law with far-reaching concessions to Argentina's trade unions came into force last week at the height of the eleventh national strike against President Raúl Alfonsín's Government.

Congress approved the law, a reform of existing legislation, last March but a reluctant president did not sign it until last Thursday – the last day on which he could have used his veto. The reform took effect during a 24-hour protest stoppage by Argentina's biggest labour organisation, the General Labour Confederation.

The law is a far cry from Mr Alfonsín's electoral promise in 1983 to impose democratic change on the autocratic labour leaders, who control the right wing of the opposition Peronist movement.

The Government is now under intense criticism from business leaders. The biggest employers' group, the Argentine Industrial Union, has threatened a lock-out unless the law is changed.

As approved by Congress and signed by the president, the reformed labour law gives the unions full control over the considerable economic power of the *obras sociales* (welfare funds). Estimated at $1bn at least, these funds have long been seen as a source of union patronage and corruption, and were taken away from the labour leaders after the military coup of 1976.

For business, the most controversial reform stipulates employers cannot sack union officials without a court order. The Government tried to mollify its business critics by issuing a separate decree to water down the application of the new law.

Race issue mars New York primary

Given the antipathy towards Mr Jackson among Jews and the large Jewish population in New York which has traditionally voted Democrat, a primary election with unpleasant racial overtones was pre-ordained, Stewart Fleming writes

WHEN New York City's Democratic Mayor Ed Koch opened the state's New York Presidential primary election campaign two weeks ago by saying Jews "would have to be crazy" to vote for the Rev Jesse Jackson, his decision to inject racial antagonisms into the election dismayed Democratic leaders struggling to unite their divided party.

Mayor Koch did not have to wait long to see the impact of his inflammatory remarks.

"For Ed Koch to declare himself King of the Jews is obscene," retorted Harlem's Congressman Charles Rangel, rallying to the support of the black Presidential candidate.

Since that first exchange, Mayor Koch has kept up his attack and the three remaining candidates for the Democratic party's presidential nomination, Mr Jackson, Governor Michael Dukakis of Massachusetts and Senator Al Gore of Tennessee, have avoided negative advertising and harsh attacks on each other.

But with the pivotal New York primary now only a day away, racial divisions, always a potent political force in New York's politics, are destined to play a key role again in the outcome of an election.

Fears continue that the election has only made it harder for the party to unite around its ultimate nominee, even though Mr Jackson, who is pressing Mr Dukakis hard in the battle for New York, was again this weekend adopting a non-confrontational stance.

Were Mr Dukakis to score another victory, many political analysts believe the fight for the Democrat's Presidential nomination would be all but over.

Only an egregious error could then deny him the nomination even if, as still seems likely, he would not finish the primary season having won an absolute majority of delegates to the party's nominating convention in July.

A victory for Mr Jackson would throw the Democratic Party back into the sort of confusion which erupted last month when he emerged as the victor in the Michigan caucuses.

The latest ABC News /Washington Post poll is not encouraging for Mr Dukakis. It suggests his once-comfortable lead over Mr Jackson has narrowed from around 43 to 37 per cent as backing for Mr Gore has risen from single figures to around 13 per cent.

Given both the antipathy towards Mr Jackson among Jews and the large Jewish population in New York which has traditionally voted Democratic, a primary election with unpleasant racial overtones was pre-ordained this year.

Even in 1984's Democratic primary, as New York columnist Joe Klien put it, Vice President Walter Mondale and Senator Gary Hart competed to "out-Jew" each other.

In this year's election, however, the fault lines are precisely as Mr Koch implied. Mr Jackson is anathema to Jewish voters. As one Jewish Democrat put it last week: "The Jews have not forgotten his beautiful comments" in 1984.

Does Mr Jackson's reference then to New York as "Hymietown" reveal him as anti-Semitic? she was asked. "Oh absolutely."

The attitudes of American Jews to Mr Jackson have been shaped too by his embrace of PLO leader Mr Yassir Arafat, his sympathetic view of the Cuban leader Fidel Castro and his support for a Palestinian state. The violence in Israel between Jews and Arabs has also made New York's Jews more sensitive to Mr Jackson's candidacy.

So, too, has Mr Jackson's electoral success this year and the evidence that he is putting together in New York the black and Hispanic elements of his "Rainbow coalition".

Blacks accounted for about 25 per cent of the primary electorate in 1984, and Mr Jackson will get 90 per cent of their votes, says one New York politician. He will also get 90 per cent of the 12-15 per cent of the Hispanic electorate expected to vote, he suggests.

If this is right, this foundation, coupled with the probable single-digit support he is likely to get among white voters, seems likely to give him a rock-solid base of around 37 per cent of the electorate compared with the 26 per cent he won in 1984.

It could be enough to win if the white and Jewish vote should be split between Mr Dukakis and Mr Gore, and Mr Gore were to get around 20 per cent of the vote overall.

Even before the New York campaign began in earnest, Mr Gore was working hard to ensure that the Jewish vote did split and to offset the advantage Mr Dukakis has in having a more liberal image in a state whose electorate is very liberal by US standards.

He has been much more militant in his support for Israel, in particular on the issue of a Palestinian state. He also has a voting record in the Senate to back up his strong pro-Israel positions.

Mr Dukakis, a strong supporter of Israel, does not have such a record. In the eyes of some Jewish voters, he has also been ambiguous on the issue of a Palestinian state.

He has argued that the US should not try to dictate the outcome of negotiations between Arabs and Jews. On the other hand, some Jewish leaders are saying that a vote for Mr Gore could open the way for a Jackson victory.

The schism between Jews and blacks ahead of the election is clear cut and there is no sign that white non-Jewish voters will support Mr Jackson in large numbers.

Mr Gore, it seems, is likely to do quite well among white Jewish voters, but among the third of the electorate who are Catholics, the Senator's strategy for the earlier primary elections of himself as a conservative Democrat seems to have come back to haunt him in more liberal New York.

The problem for Mr Dukakis is that although the polls suggest *he is the favourite among white* voters, there is not much sign of enthusiasm for a candidate who seems to have failed to have made contact with many working class white voters and whose strategy of essentially protecting his lead tends to add to the image he has of being unexciting.

Hence the widespread view that the decisive factor in the *election for Mr Dukakis* could be whether enough supporters turn out to give him the victory the opinion polls suggest is within his grasp.

SHIPPING REPORT

Tanker market 'desultory'

BROKERS said business in the tanker market was "desultory" last week, except for the Middle East Gulf, where rates for very large and ultra large crude carriers firmed slightly, writes Kevin Brown.

Galbraith's, the London broker, said the reason appeared to be owners' reluctance to risk attack by Iranian or Iraqi forces, rather than a genuine improvement in demand.

E.A. Gibson Shipbrokers said a vessel of 345,000 tons had been fixed at Worldscale 30 for the US Gulf and a cargo of 252,000 tons to the same destination at Worldscale 36½.

There was some concern among brokers that a reduction of output by members of the Organisation of Petroleum-Exporting Countries could lead to a fall in rates and that US action to reduce the trade deficit could include curbs on crude oil imports.

WORLD ECONOMIC INDICATORS

FOREIGN EXCHANGE RESERVES (US$m)

	Feb.'88	Jan.'88	Dec.'87	Feb.'87
US	11,795	11,318	13,088	17,959
UK	36,125	36,396	38,556	15,802
W. Germany	67,640	70,848	72,893	56,480
Japan	78,261	77,817	75,657	46,963
Belgium	8,180	8,467	8,343	4,951
Netherlands	13,458	13,293	14,174	10,085
Italy	28,539	28,438	27,768	22,022
	Jan.'88	Dec.'87	Nov.'87	Jan.'87
France	31,513	29,634	26,457	26,728

Source: IMF

OVERSEAS NEWS

Sluggish 0.8% growth for Africa in 1987

AFRICA'S ECONOMY grew only sluggishly in 1987 while a growing debt continued to threaten development, according to leading financial institutions, Reuter reports from Abidjan.

"Economic performance has again been disappointing in 1987," the African Development Bank and the UN Economic Commission for Africa said.

Their annual joint review said the economy of the continent, excluding South Africa, grew by 0.8 per cent in 1987, after 0.5 per cent the year before. The 1986 growth was revised down from the 1.2 per cent estimated a year ago.

Africa's foreign debt climbed from $207.7bn in 1986 to $218.1bn in 1987, when debt service took the equivalent of nearly 36 per cent of export income.

"The debt issue appears more and more critical for development prospects of the region," the report said.

Oil-producing countries bore the brunt of a 1986 economic downturn but all the countries surveyed suffered last year. The oil states' economies grew by a mere 0.3 per cent in 1987 while those of the others expanded 1.6 per cent.

"The year 1987 was particularly bad for African agriculture," the report said, blaming bad weather. Even so, the report said, 1987 was a good year for production of many industrial crops such as cotton, cocoa, tea, tobacco and coffee, although prices for some remained soft.

It envisaged a better year in 1988, if the weather improves and oil prices do not fall further, and predicted the continent's economy could grow about 2.7 per cent.

Nicholas Woodsworth assesses the ADB's aid for private business

African energy and inertia

BANKS ARE not often likened to fictional literary characters, and still less often to the most famous split personality of Victorian literature. However, according to some observers in the West African economic centre of Abidjan, that is what the African Development Bank is – a Dr Jekyll and Mr Hyde.

The view in Abidjan – capital of Ivory Coast as well as headquarters of the ADB – stems from a recognition that bank activity over the years has been influenced by two powerful and contending forces.

On one hand there is a strong element of dynamism in the bank – typified in the energetic leadership of the bank president Mr Babacar Ndiaye – which is responsible for innovative thinking, rapid action, and progress on Africa's economic challenges.

On the other there are inertia and reaction in the ADB administration which leave the bank vulnerable to bureaucratic sluggishness, to choices based on political rather than economic expedience, and to a blindness to viable solutions to pressing problems.

So these elements have led to positive achievement in economic development, and to some waste of money and time. The battle continues. Considering Africa's ever-deepening crisis and the ADB's role as the continent's predominant financial institution, it is one with high stakes.

There are signs, however, that the more dynamic elements in the ADB are currently in the ascendent. Mr Ndiaye's recent personal initiative in chairing the first ADB conference on the promotion of private enterprise in Africa is the most significant indication. It reflects a shift not only in ADB orientation but in the African economies the bank was created 25 years ago to serve.

Sheik Ibrahima Fall, Director of the President's Office, said: "The ADB's interest in actively supporting private, rather than public sector, enterprise is new. But it is not a 180-degree turn in the bank's philosophy. From the beginning our concern has been to stimulate development in the most efficient way. We are now simply adapting to Africa's changing economic realities."

So great were national development needs in the main era of African arrival at independence, and so undeveloped and undercapitalised was the indigenous private sector, that support of State enterprise was a rational – indeed the only – choice for the ADB. Such vital concerns as resource exploitation, mass employment, the supply of essential goods, and basic infrastructure development could not have been approached otherwise.

So the ADB – in which 50 African and 25 non-African governments have a total capital participation of $20.8 bn – adopted the policy of granting project-targeted loans to State-owned national development banks.

ADB funds can be loaned, in theory, to private enterprise but borrowing states have shown themselves reluctant to guarantee loans on behalf of the private sector. The majority of ADB loans have gone to finance large national or parastatal projects, particularly in agriculture, public utilities and transport.

In recent years, however, the enormous problems engendered by public sector mismanagement of finances and resources have been responsible for a change in attitude towards the private sector. They are also partially responsible for the fact that 22 African governments have been forced to seek rescheduling agreements with the Paris Club of creditors, while 25 are undergoing programmes of structural adjustment.

"There is a basic shift of confidence away from the public sector. Only five years ago private enterprise for most African governments was still tainted by the excesses of colonialism. Today privatisation programmes are to be found throughout the continent. Even nominally socialist leaders see the solution to many problems in private business initiatives," said Sheik Fall.

Babacar Ndiaye: Dynamism

A number of ADB measures to support the private sector indirectly have already been taken. According to Mr Peter Ewelamira, head of the ADB's recently established Private Sector Promotion Division, 25 per cent of ADB loans last year were not project-oriented. This type of loan, going instead to support structural reform in such areas as the banking system and high value-added manufacturing, is intended to change the economic environment and make it more attractive to private investment.

Governments, too, have changed lending priorities. These banks have been encouraged to lend to the private sector, partly because the ADB has taken equity in national development banks and provided them technical assistance. In Zambia last year, for example, 50 per cent of development bank loans went to small and medium-sized private sector projects.

The recent round-table conference on the promotion of the private sector is a first step towards giving direct support to African business. It was attended by senior representatives of private enterprise from many parts of Africa and examined four problem areas of private sector activity: financing, human resources, the economic environment, and information access.

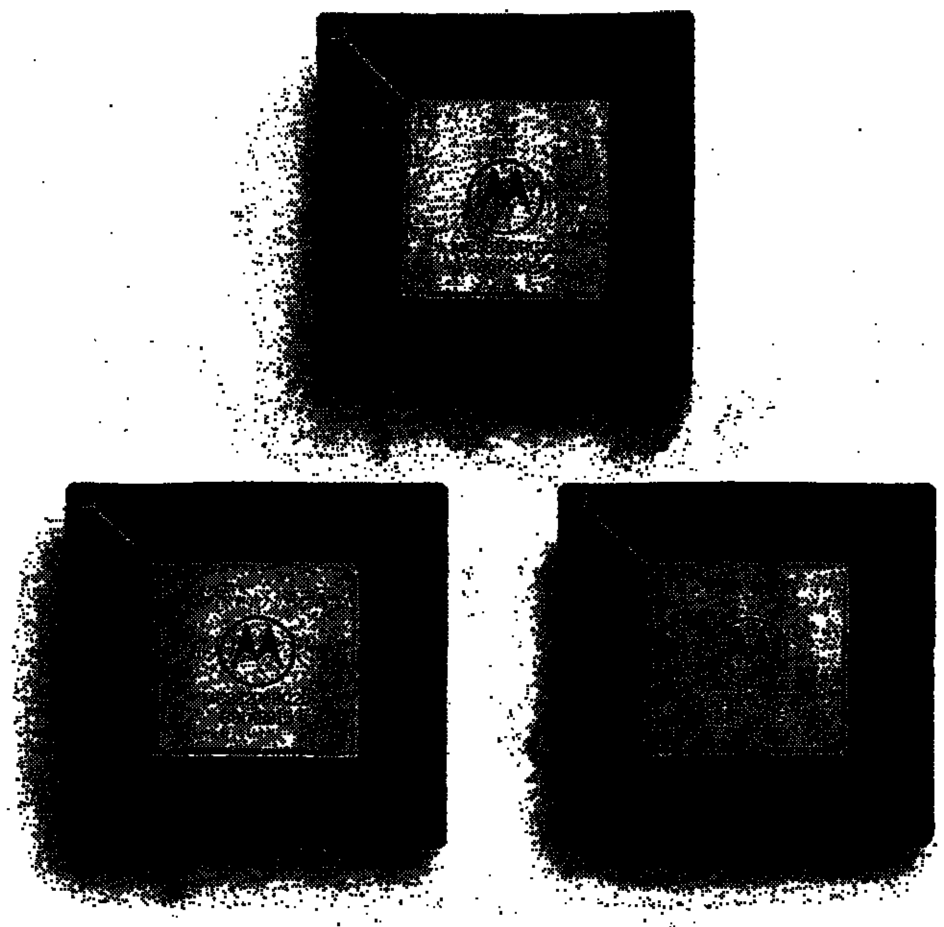
Main obstacles identified included difficulty of access to equity capital, lack of investment insurance and trade financing schemes, capital flight, under-developed capital markets, and a shortage of export clearing houses. Insufficient technical and managerial skills, excessive state regulation, and lack of information on market opportunities were also cited.

Participants provided the ADB with advice on the formation of its private sector policy. Among the most urgent of the 21 recommendations they made were:

●Direct ADB equity participation in private enterprises.

●ADB underwriting of parastatals due to be privatised.

These are tall orders in a continent notorious for organisational breakdown and inability to complete plans. However, two studies on private sector promotion are already well advanced. Mr Ndaiye is confident that they will result soon in the establishment of an import-export bank and short-term credit facilities for trade financing. Barring unforeseen reversals in the contest between Dr Jekyll and Mr Hyde, further changes will be forthcoming.



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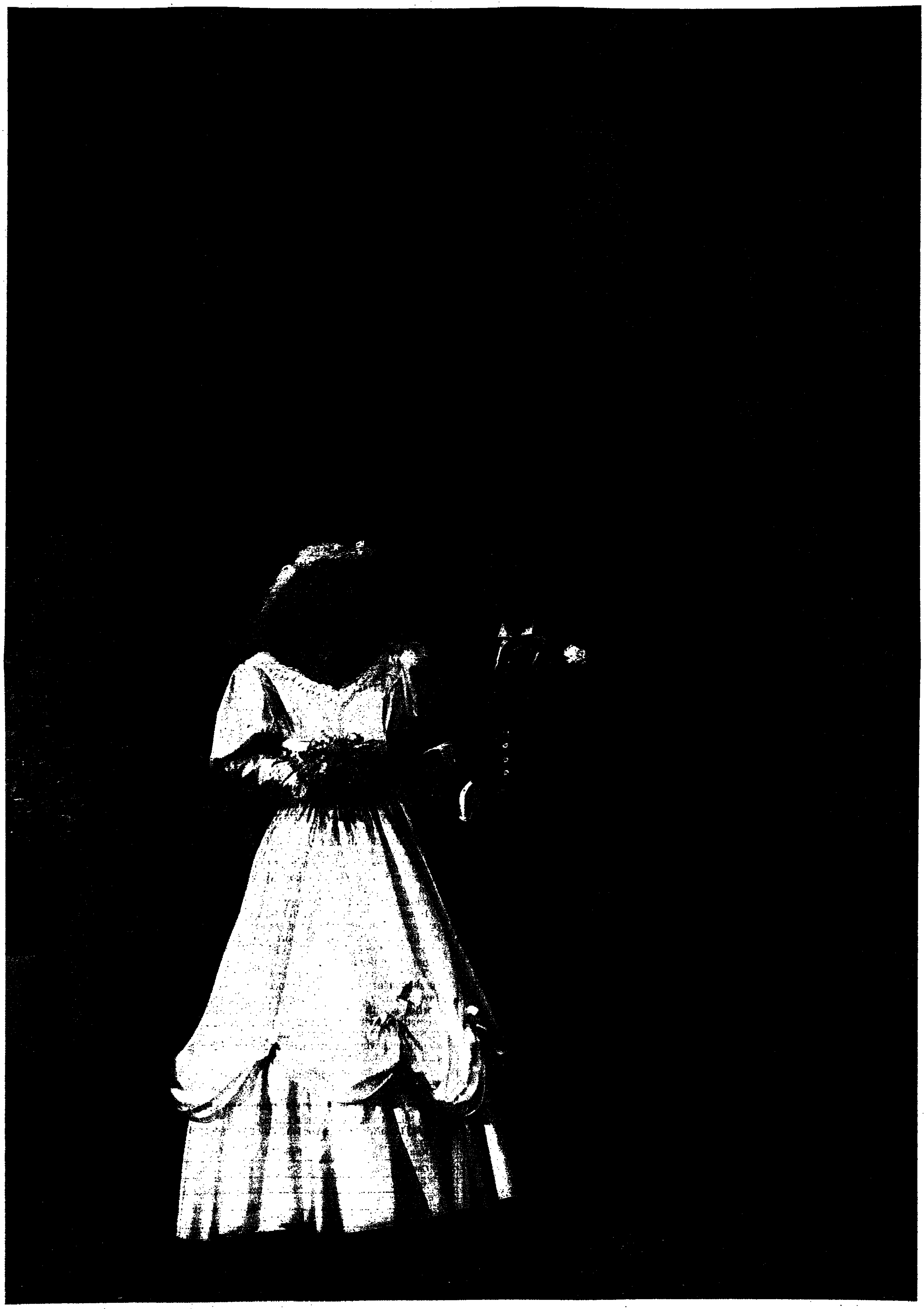

MANAGEMENT

EDZARD REUTER has done one of *the most dangerous* things any chief executive can do: buy into three sizeable companies in quick succession, *two of them in unfamiliar businesses.*

Yet, even before he has full control of them – though at the weekend he *announced plans* to buy in the *minority* of the largest subsidiary, AEG – he is already talking of making at least two more such takeovers: one on his home ground of West Germany and the other (or others) in *distant America.*

Daimler-Benz

Edzard Reuter opens the diversification throttle

With the West German automotive giant bidding for full control of AEG, its chairman talks to Christopher Lorenz about his new takeover ambitions

The urbane head of Daimler-Benz, who took the wheel of the Stuttgart automotive giant in a *boardroom* coup last summer after masterminding the acquisitions as finance director, is well aware *of the risks any* company runs when it diversifies. Though he is "very hopeful we will *succeed in not making the same* mistakes that others have made in the past," he agrees that the process of *post-takeover digestion is exceedingly* tricky.

His caution helps explain why, to *the impatience* of its critics, Daimler is taking such a long time to decide exactly what to do with its 1985 acquisitions of majority stakes in AEG (electricals and electronics), and Dornier (aerospace), and its full ownership of MTU (engines) – deals which made it by far the largest industrial company in West Germany. Last year its sales hit DM67bn (£22bn), and *it started* 1988 with more than 326,000 employees worldwide.

Once structural decisions have been taken, however – and this will be much easier if the AEG minority is bought in – Reuter clearly plans to move faster; he denies the common view that the digestion process after any acquisition inevitably lasts a decade or more, saying he hopes the enlarged Daimler group will take only "three to five years" to "develop a kind of (common) corporate culture, and also the readiness to work together, to create synergies".

In an interview in his Stuttgart *office overlooking one of Daimler's* main Mercedes car factories, Reuter was unusually frank about how he is trying to avoid the plethora of diversification pitfalls from which American companies, in particular, have suffered since the 1960s. As well as revealing his US takeover ambitions, and some of his European plans, he was outspoken about the need for a radical restructuring of West German industry to make it more competitive internationally.

Daimler's transformation into a broadly-based technology group – Reuter rejects the label of conglomerate – has raised many eyebrows because the company has always epitomised West Germany's industrial tradition of strength-through-specialisation. Its conversion to the risky cause of diversification has unleashed a spate of emulators across the German industrial landscape, which has fuelled the controversy still further.

Reuter had two main reasons for championing the cause of diversification to the board in 1984 – at that *stage* he focused more on target sectors than on particular companies. First, he emphasised the need to broaden Daimler's range of businesses in order to offset the actual collapse of growth in the commercial vehicles market, and the possibility of similar problems occurring eventually in cars.

Second, he argued that integrated electronic systems would soon become such an important part of the car – both within the vehicle itself, and between it and new communication and traffic control systems outside it – that Daimler could no longer afford to rely for its electronics just on collaboration with suppliers. "You will not be able to produce a car in future, at least in the luxury bracket of the market, without integrating your engine, your gearbox, your axles, with an electronic system," he says now. "We feel we must integrate that part of the business in our own company." Hence the need for in-house electronic expertise, which AEG and Dornier possess aplenty in hardware and software, as well as in the form of systems know-how.

This sort of high-tech "synergy" has been practised for decades by Saab in Sweden (see this page, March 11). Similar logic is now driving a *spate of automotive companies,* from General Motors in the US to Britain's Rover Group, to seek marriages with electronics-intensive aerospace companies.

Yet Reuter makes clear that he expects Daimler to draw more "synergy" in automotive electronics from AEG (which is not an aerospace company) than from Dornier.

But why could Daimler not secure this expertise in the same way as its emerging Japanese competitors, by forging still tighter relations with its famously close suppliers, rather than setting up in partial competition with them through a set of difficult takeovers?

Reuter's reply is uncompromising: "Closer to Bosch and Siemens, that is very easily said but, of course, both. . .are very big, very independent companies." He could see no way of dealing with them in which Daimler could hold the real engineering and technological leadership, he adds. "That's the point."

The traditional Bosch and Siemens representatives on Daimler's supervisory board resigned in 1986, underlining Reuter's view that many of the traditionally cosy relationships between West German companies must come apart if the Federal Republic is to face up to greater international competition, and take part in the restructuring of industries across borders.

"We must have an internationalisation of business," he says. But he denies that Daimler unleashed this rupture of relationships within the Federal Republic: "By no means did we start it – this process was on its way when we decided to go in that direction."

Nor, Reuter insists, was Daimler pushed into its acquisitions by either *the politicians or its most powerful* shareholder, Deutsche Bank. Though the Baden-Wuerttemberg State government played a key part in negotiations with the strife-riven Dornier family, "we were looking into the possibility of taking a stake in Dornier (as early as) the second half of 1984," he says. And he stresses that it was not the Deutsche Bank which conceived the takeover of AEG, which had just recovered from several painful years of losses. "I tell you: as it should be, this idea was born between the board of AEG and Daimler-Benz."

Daimler's conversion to the risky cause of diversification has unleashed a spate of emulators

As for the current proposal of the Bonn Government that Daimler should take control of Dornier's troubled compatriot competitor, Messerschmitt-Boelkow-Blohm (MBB), Reuter says Daimler is interested – unlike the many other West German companies which have been offered MBB – because "we think that the German aerospace industry should really prepare itself for a new period of international competition. So a restructuring. . .is necessary." For Daimler the main stumbling block at present is MBB's costly involvement in the European Airbus consortium.

Yet Reuter is clearly keen on more European collaboration in aerospace. Because of overcapacity "this industry has to be reorganised and restructured Europe-wide – at least," he says. The small stake which Daimler took last autumn alongside Britain's GEC and Sweden's Wallenberg group in Matra, the French defence and electronics company, represents "a very important beginning," says the Daimler chief.

Beyond Europe, Daimler is considering US acquisitions in several of its new areas of activity. In Reuter's words "I can well imagine that there are some fields (where) we should still deepen our activities or enlarge them." In America? "Sure." Not automotive acquisitions, but in Daimler's newer fields? "Yes, right."

Though much of West German industry has fought shy of US acquisitions since the disasters suffered by Thyssen and others in the late 1970s, Reuter now foresees a "new wave of engagements in the US," brought on not just by the devalued dollar but also by the inexorable internationalisation of business.

But isn't diversification deadly dangerous, as attested to by countless notorious examples, as well as a steady stream of research studies from Harvard and elsewhere? How does Daimler plan to avoid repeating *the mistakes of other diversified companies?*

To start with, Reuter states the obvious: avoid becoming an ITT-like conglomerate operating in "a huge number of fields of activity with no synergies between them". Instead – "at least in the core businesses" – try to have some real synergy between the different parts. Third, and most important, build a common culture.

"I'm well aware that you cannot in a short period bring together the different traditions, histories and corporate cultures of Daimler-Benz, AEG, *Dornier and MTU.* But basically all *of* these companies . . . are united by the pride of technological and industrial leadership. The common expression of course is 'high-tech', but that is not enough." Instead Reuter prefers what he calls "the old Daimler-phrase 'Das Beste oder nichts'" ("the best or nothing").

How does the creation of synergy square with Daimler's constantly repeated assurance (especially to the remaining minority shareholders in AEG and Dornier) that the new *subsidiaries will "retain their independence"?*

Reuter's initial reply suggests that this is merely legal-speak. "The independence of the affiliates is not different from the independence of our car business or our commercial (vehicles) business," he says.

But then he becomes more open about the difficult balancing-act which Daimler is trying to achieve between decentralisation and co-ordination, and the rather awkward organisation structure it has erected to achieve this. Formally, AEG, Dornier, MTU and the two original parts *of Daimler all now constitute* "independent divisions" under the guiding hand of a large board of 12 directors.

Reuter says he has no intention at present of changing this structure, nor of following the internationally fashionable pattern of streamlining the board and turning it into a purely strategic body, with operational decisions being taken beneath it. In the group's current state of restructuring and expansion "this would be a mistake," he says.

The main co-ordinating mechanism *immediately beneath the board* is a "structure and synergy committee" composed of key board members, which is supported by a technology subcommittee. Both the committee and the subcommittee have already spawned a welter of cross-company working groups for individual projects.

Isn't there a risk that this tricky middle road between integration and independence will lead Daimler to fall down a hole in the middle? "Yes – this may happen any time. You have to keep your eyes open and be very careful that this doesn't happen."

Reuter is particularly keen to avoid a proliferation of committees, though by no means everyone in the group thinks he has succeeded.

The difficulty of achieving consensus about which particular synergies to exploit, and how, is demonstrated by the fact that the structure and synergy committee has still not defined all of them in detail, although many Daimler managers expected this mammoth task to be complete by the end of last year. Reuter still chairs the committee himself, though he was originally expected to hand it on to Daimler's research and technology director, Dr Rudolf Hoernig, during 1987.

Analysis of all the group's activities should be completed by this autumn at the latest, Reuter *now* forecasts. "The next phase, which will probably take us another year and a half, is defining the structural consequences inside the companies. When this has been done the central activities of the committee will concentrate on technological synergies and at that time Herr Hoernig will take over the chair".

The phrase "structural consequences" raises one of the most thorny unresolved issues of all – one which causes cynical observers to forecast trouble ahead. The newly-enlarged Daimler empire is criss-crossed by activities, such as aerospace and medical technology, which need to be put in single units under their own management, rather than steered by cross-company committees as at present.

This restructuring is made difficult where Daimler owns less than 100 per cent of its new subsidiaries. So, even if Daimler wins full control of AEG this restructuring will be difficult to achieve so long as it owns less than 10 per cent of Dornier, not least because of intricate legal procedures.

In both size and diversity AEG (with over 80,000 employees) is far less digestible than the much smaller Dornier (under 10,000), in spite of the latter's prouder history and complex family connections.

In contrast with the homogeneous character of Daimler's traditional markets, where Mercedes faces only a limited number of competitors, AEG operates in a myriad of very different businesses, most of them teeming with international rivals of all shapes and sizes. And *whereas* Daimler's executives are steeped in the company's traditional functional culture, AEG has *much* more *experience* of divisional management.

To the obvious question of why – political considerations apart – Daimler gave itself such digestive problems by buying the whole of AEG rather than just the parts it needed for automotive electronics, Reuter points again to the first motive for the diversification: Daimler's need for a broader portfolio. "Quite a number of new possibilities lie in *that* AEG company," he emphasises.

Whatever one's view of the wisdom or otherwise of Daimler's diversification drive, it has at least avoided the controversial shift of General Motors, Ford and US General Electric into financial services. But not necessarily for ever, says Reuter. Daimler has never really considered making such a move, but "it may well happen in the future".

Given the company's historical relationship with the Deutsche Bank, that really would mark a departure from the incestuous traditions of West German business.

UK NEWS

Government 'set to defeat Tory poll tax rebels'

BY JOHN HUNT

THE GOVERNMENT is confident that it can defeat the challenge from rebellious Conservative members over the community charge, or so-called poll tax, in the House of Commons tonight.

Mr Michael Howard, Minister for Local Government, who is in charge of the bill which will introduce the charge, said last night: "I am confident that we will have a healthy majority."

The Government seems certain nevertheless to face a big drop in its overall majority of 102 when a vote is taken on the amending clause being pressed by a group of Conservative backbenchers headed by Mr Michael Mates, member for Hampshire East.

This comes at a sensitive time when of rising discontent amongst Conservative backbenchers at several important aspects of Government policy.

The clause would introduce three tiers of tax charge linked to ability to pay rather than the Government's flat rate charge which it is proposed will replace the present local authority rating sytem.

Michael Mates: 45 signatories

Mr Mates said yesterday that he still has 45 signatories to the clause who will vote for it tonight. Five of the original signatories had asked their names to be removed.

On BBC radio Mr Mates said: "I am not trying to win. I am trying to get the Government to listen to the concern expressed by so many of its supporters."

Some of his supporters were predicting that the Government majority would fall to 20 or even 15 as Labour and the newly merged 19-strong Social and Liberal Democrats will vote with the Tory rebels.

Mr David Steel, interim joint leader of the Democrats, said last night: "We will be there in full force to support the amendment. Let us hope it succeeds."

But ministers and Government whips have mounted an intensive campaign over the weekend to change the minds of some of the Mates group. They predict that the Government majority will be well above 20 and that some of the rebels will abstain instead of voting for the new clause.

Mr Peter Brooke, Chairman of the Conservative Party, said he believed that some of the Mates supporters would change their minds by tonight and would not vote for the new clause.

Mr Michael Heseltine, who resigned from Mrs Margaret Thatcher's Cabinet as Defence Secretary over the Westland affair, denied suggestions that he was behind the organisation of the poll tax rebellion.

"I don't need to hide behind people's shadows," he said. He was, however, one of the signatories of the new clause, and confirmed that he would vote for it.

The intensity of activity by the Government over the weekend shows its concern at the implications of the threatened rebellion.

Only last Thursday there was the biggest Tory rebellion since the general election over the proposals to end free universal eye checks and the ending of free dental check-ups.

There is also considerable disquiet over last week's sweeping changes to the social security system.

In addition, the Government faces a fierce onslaught in the House of Lords today and tomorrow when there is a two day second reading debate on its controversial Education Reform Bill.

There is likely to be fierce criticism from all sides of the House, including some Tory peers.

Funding by national savings hits 10-year low

By Clive Wolman

NATIONAL SAVINGS made a contribution to government funding of only £2.03bn in the financial year ended March 31, the lowest figure for more than a decade, according to figures published yesterday.

The decline in the importance of National Savings, which in the previous financial year 1986-87 made a net contribution of £3.37bn, is even more striking when account is taken of inflation since the mid-1970s. The underlying cause of the decline has been the shrinking public sector borrowing requirement and the decision, after a review by the Treasury in 1986, not to market and promote National Savings aggressively as an alternative savings medium to the building societies and banks.

National Savings interest rates, particularly on fixed interest certificates, have thus become less competitive. In March this led to a withdrawal by holders of fixed interest certificates of capital and accrued interest worth £288m compared with only £150m in February. The March figure was offset partially by £98m of new savings during the month and £75m of accrued interest which was not withdrawn. The cut in the interest rate which is paid to those who fail to encash their certificates after the five-year redemption date has passed is expected to lead to further large withdrawals in April and May.

In the financial year 1987-88 as a whole, the net deficit on fixed interest certificates was £692m compared with a net contribution of £868m in 1986-87. The total value of all holdings of fixed interest certificates, including accrued interest, stood at only £13.07bn at the end of March, compared with £13.76bn a year earlier.

Index-linked certificates continued to suffer net withdrawals, despite offering higher expected returns, at least to higher rate taxpayers, than alternative savings media including index-linked gilt-edged securities. The net deficit in March was £51m, and for 1987-88 as a whole the deficit was £174m.

Hinkley reactor given bad economic rating

BY MAX WILKINSON, RESOURCES EDITOR

THE NUCLEAR power station planned at Hinkley Point in Somerset, south-west England, is unlikely to be economically competitive, according to the latest government estimates.

They show that, on assumptions appropriate to a privatised electricity industry, the station would produce more expensive power than a comparable coal-fired plant.

The proposed Hinkley C station is intended as the second in a family of Pressurised Water Reactors, to follow that being built at Sizewell in Suffolk, on the east coast.

The CEGB's Magnox Sizewell A power station in Suffolk, site of Hinkley's sister reactor

The poor economic rating of the Hinkley project is embarrassing for ministers, who want to proceed with a nuclear programme for strategic reasons. The most immediate problem is that the Hinkley project may prove more vulnerable to economic objections at the forthcoming planning enquiry than did the Sizewell station.

At the four-year Sizewell enquiry, the Central Electricity Generating Board argued that the new nuclear station would save so much in reduced coal costs that it was worth building even before it was strictly needed. After coal prices had fallen, the board was still able to say that the PWR was much better value for money than a coal station, and this was broadly endorsed by Sir Frank Layfield, the planning inspector.

Since then, however, the outlook for coal prices has weakened further: the CEGB is testing the economics of the project against an assumption that there will be little or no rise in real coal prices before the year 2000. It is also being forced to consider the impact of the higher return on capital which its new owners will require after privatisation.

As a nationalised industry it is required to make only a 5 per cent real rate of return on capital on new projects after inflation. This is half the return now being earned by private industry. City of London advisers are telling the Government that the private sector would require at least 10 per cent from a nuclear project because of the perceived risks.

At this rate, the Hinkley project would be a flop. The CEGB's own internal estimates suggest that it no more than breaks even against a coal-fired station at about 7 per cent.

The cost of capital is crucial to the economic viability of all nuclear power stations, because they are very expensive to build, though quite cheap to run. The cost of the Sizewell B PWR is now estimated at £1.7bn in present day money. However, the CEGB's most recently built nuclear plant have cost much more than expected because of engineering problems during the commissioning stage.

The latest projections do not envisage there being any big savings in the building costs for the Hinkley station over those at Sizewell, although some of the initial design costs will be shared.

The high cost of Britain's nuclear programme will make it difficult for the Government to draw up regulations to limit prices in the newly privatised electricity industry. Last month's White Paper on electricity privatisation said that the industry would be obliged to sell a fixed proportion of power which was not generated by coal or oil.

However, no solution has yet been found to the vital question of how to price this nuclear energy.

TV and film union faces division over merger

By John Gapper, Labour Staff

THE ACTT film and television technicians' union faces a rebellion by its independent television members after it and Beta, the studio and clerical staff union, voted to merge to help resist widespread changes in ITV working practices.

Mr Peter Bould, chairman of the ACTT's ITV division, said yesterday he believed many of the union's 7,000 members working in ITV companies would split from the ACTT and form a separate union if a merger took place.

During a debate at ACTT's annual conference some delegates had argued it could become split and fragmented if it did not unite behind a merger with Beta.

The conference in London voted yesterday against taking industrial action to resist the weakening of ITV national pay and conditions agreements.

Members opposed a merger with Beta because of hostility over limited support in past industrial disputes, and a belief that the ACTT is a craft union which should not merge with a general workers' body.

Robert Taylor examines a new book praising a shift in Britain's industrial relations policies

Mrs Thatcher wins some Swedish applause

MRS MARGARET Thatcher's industrial relations strategy receives enthusiastic support in a book published today in Social Democratic Sweden. (Thatcher Och Det Nya Facket. Thatcher and the new unionism.)

The author is Mr Christian Bratt, who recently finished four years service as labour attaché in his country's embassy in London. He now works for SAF, the Swedish Employers Organisation.

He contends that the Prime Minister's policy towards the unions during the 1980s has changed fundamental attitudes which have handicapped the British economy since the last century.

"Watch out," says Mr Bratt. "The new British are on their way and Mrs Thatcher deserves the praise for what she has done." Such a robust view is not presently shared by many of his fellow Swedes, but Mr Bratt believes they have a hostile view of the Prime Minister because she has suffered from unfair treatment at the hands of the Swedish media.

His intention with the book is to do what he can to correct what he sees as a distorted picture of UK industrial relations. Mr Bratt will appear tonight on Swedish television to argue his point, and will be lecturing over the next two months up and down the country on the "new unionism" which he sees growing in Britain.

Mr Bratt insists: "Mrs Thatcher has smashed outdated attitudes on the shop floor and in the unions, but she has done nothing to damage good industrial relations." Indeed, he believes that her legislation since 1980 to curb the excesses of trade union power has helped and not hindered the growth of sensible trade union practice.

He believes that unions like the EETPU electricians union and the engineers have shown what can be achieved by a pragmatic and professional approach which has abandoned the dogmas of the past.

"There is a Scandinavian touch about union leaders like Gavin Laird of the Engineers and Eric Hammond of the Electricians," says Mr Bratt. He is particularly enthusiastic about the EETPU, calling it a "pioneer union" which "has a clear idea of what it wants to achieve and a unique relationship with its members."

With a keen eye for the nuances of British industrial relations, Mr Bratt peppers his concise account with personal vignettes of his years in London. He recalls how his bedroom was once used at a party for a reconciliation between Mr Norman Willis, TUC General Secretary, and Mr John Prescott, who was then the Labour Employment spokesman.

Mr Bratt also recalls with a sense of shame how he and other diplomats in the gallery gave a standing ovation to Mr Arthur Scargill for a demagogic speech on the miners' strike at the 1984 Labour Party Conference, which he now believes carried echoes of Nazi Germany.

There are affectionate references to Mr Willis, although the TUC general secretary will not be pleased at being reminded that he was once known as his predecessor Mr Len Murray's "clown prince."

The left on the TUC general council will not be pleased with what Mr Bratt has written. Mr Ron Todd of the Transport & General Workers Union is said, for instance, to "lack the capacity to move in the new ways."

Mr Bratt highlights four important trends in British industrial relations for the 1990s. He believes, first of all, that the political dimension of union activity will become far less important.

He also believes that unions will face an unpalatable choice between agreeing to single union strike-free agreements in the workplace or facing an end to unions as such. He also thinks that the individual rights of workers will become more important, particularly share ownership.

Mr Bratt believes that so far Mrs Thatcher has carried out only "half her revolution", but he quotes the shrewdness of Mr John Monks, deputy TUC general secretary, who likens Mrs Thatcher's industrial relations policy to the words used by the Prussian military strategist, Clausewitz "always stay on the move by taking the offensive."

Whether Swedes will agree with Mr Bratt's opinions must be doubtful. And very few of the British union leaders, if any, will know what Mr Bratt has written unless they can read Swedish.

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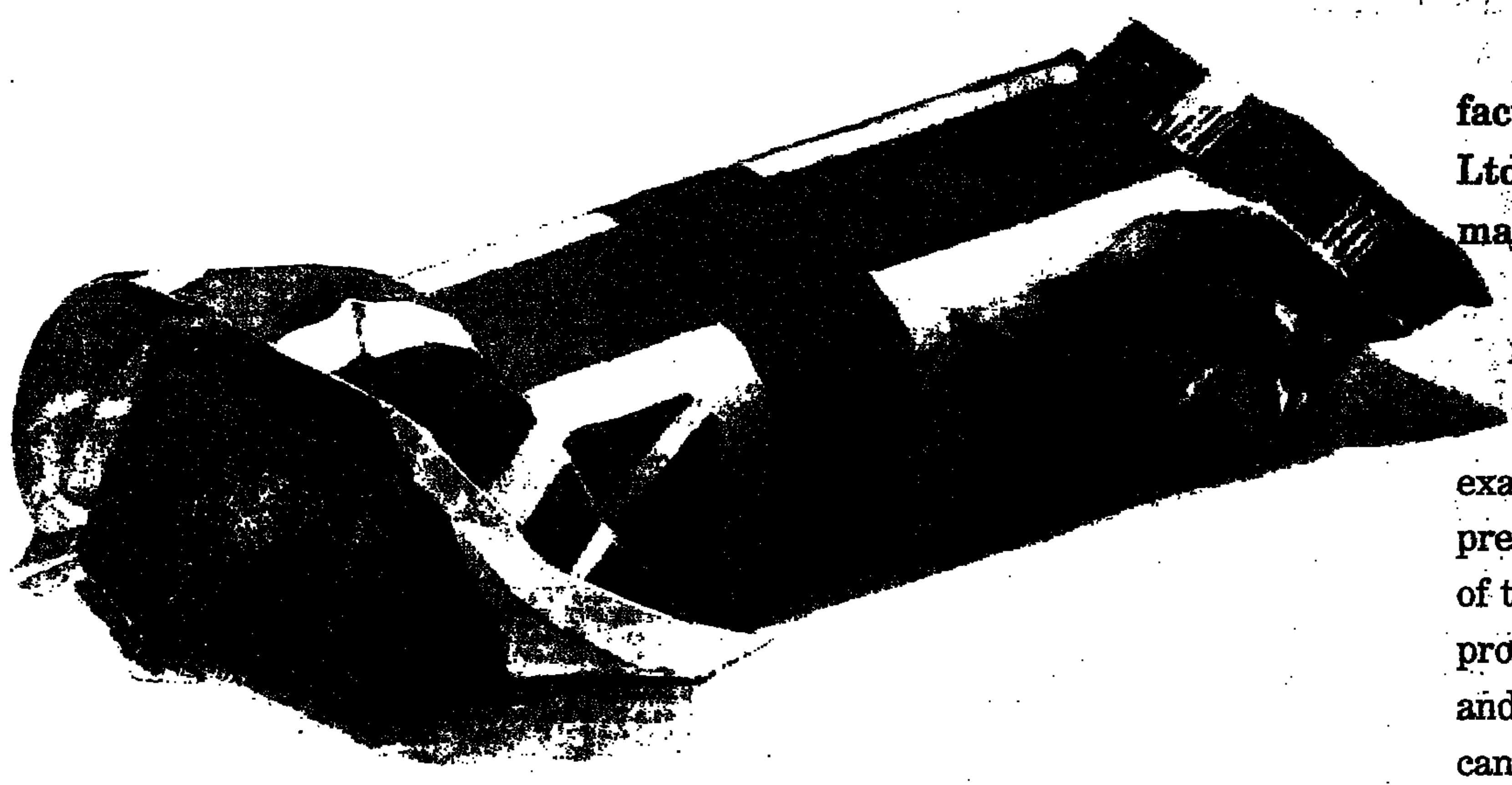

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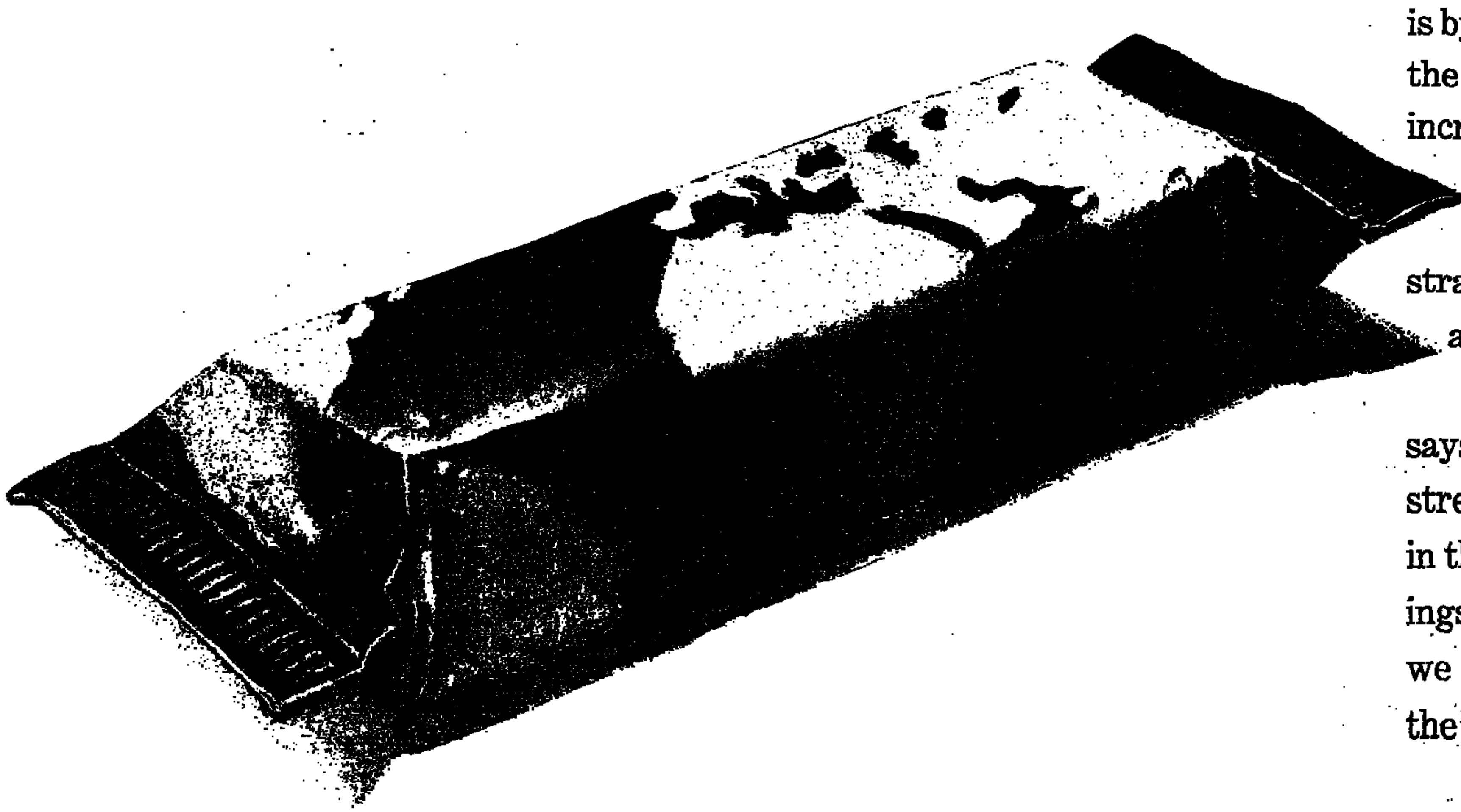

The success of Cadbury Ltd. in the UK is by no means the whole story. We've applied the same principle of reducing costs and increasing marketing investment throughout the world. What's more, growth in 1988 will be further enhanced by recent strategic acquisitions in the USA, Australasia and France.

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MANAGEMENT PROVEN IN THE MARKET PLACE

Cadbury Schweppes MANAGEMENT PROVEN IN THE MARKET PLACE.

UK NEWS

ITN expected to approve radical shake-up plan

BY RAYMOND SNODDY

THE BOARD of Independent Television News is today expected to approve a radical reorganisation plan to cut costs and introduce new technology.

About 100 jobs are likely to go from the present total of 1,050, partly as a result of contracting out some services such as security.

ITN, which is owned by the 15 independent television companies, is the latest organisation in the British television industry to review its costs and structure in an increasingly competitive environment.

London Weekend Television recently announced 239 jobs would go in the next 12 months. It also spelled out radical changes in work practices.

The pressure on ITN to look at all operations has grown out of its £60m plan to move to new headquarters in the former Sunday Times building in London's Gray's Inn Road – a move which gives it the opportunity to re-equip with the latest technology.

Negotiations with British Satellite Broadcasting over the provision of eight hours a day of news for the UK direct broadcasting by satellite venture collapsed last week – but over access to exclusive material, not price.

ITN management was convinced it could provide the service at the asking price of £10m a year, a figure noted by the ITV companies now paying about £55m a year to ITN.

Apart from putting out some staff services to contract, the new package will involve introducing a number of cameras, incoporating sound and lighting, requiring one operator. They will replace some of the existing two-man teams.

The restructuring package, which, if approved, will be announced to staff tomorrow, comes as the Independent Broadcasting Authority has made clear that it would like to see ITN become more competitive with a wider range of shareholders than the ITV companies.

The Government is sympathetic to the idea and some officials see no reason why the majority of the shares should not be held by non-ITV interests. The IBA proposals will complicate the task of finding a new chairman for ITN to replace Mr Paul Fox.

Satellite TV news put out to tender

BY RAYMOND SNODDY

BRITISH Satellite Broadcasting is advertising today for an independent contractor to provide eight hours of television news a day. The contract is worth more than £30m over three years.

BSB is to provide Britain's planned service of direct broadcasting by satellite. The announcement brings to nearly £100m the contracts that BSB has announced will go to independent producers. The eight hours a day of news for the NOW channel, one of four separate programme services planned by BSB, is going out to competitive tender following the collapse of negotiations with Independent Television News.

A number of organisations have expressed interest in the television news contract, including TV-am, the commercial breakfast company, which has been expanding its international news coverage; Mr Eddie Shah's Messenger group; and Mr David Graham's Diverse Productions.

BSB, a £625m venture which plans to launch three national channels of television in autumn 1989, is rapidly emerging as a substantial market for independent producers.

Mr Bob Hunter, managing director and channel controller of the NOW channel, said: "We have made a corporate decision that from day one we would like 100 per cent of the air time on the NOW channel to be filled by independent producers."

BSB is looking for about five hours a day of women's or lifestyle programmes, two hours a day of live youth music programmes and three hours a day of sport. The three-year contract for the three categories will be worth nearly £60m.

More than 300 inquiries have been received for tender documents for the programmes already advertised.

BSB, whose shareholders include Granada, the Virgin group and Pearson, publisher of the Financial Times, envisages spending £600m on programmes before the company goes into profit in the 1990s.

Shares give information group staff big profit

By Terry Dodsworth, Industrial Editor

EMPLOYEE shareholders who bought an average holding of about £2,000 in Istel, the information technology group, have seen the value of their investment rise to £5,660 in the past eight months.

Istel was sold by Rover Group, the vehicle maker, last August. The 180 per cent jump in the company's value follows a year in which Istel's pre-tax profits also leapt, by 131 per cent to £5.62m.

It increases the chance of a stock market flotation within about three years, in accordance with the company's target when privatised.

Istel was spun off by Rover in one of the early initiatives of Mr Graham Day, group chairman, to prepare the entire vehicle company for privatisation. This move recently led to the takeover offer by British Aerospace.

A team of top managers assembled the buy-out package for Istel last year. Then the company was valued at £35m.

The employees ended up with just more than half the operating company. Institutions and Rover shared the rest of the equity capital. The deal was complex and involved forming a holding group jointly funded by financial organisations.

Of a total workforce of 1,400, about 960 decided to buy shares in the holding group on an allocation system which was determined by seniority and length of service.

Istel's performance in the past year has been reminiscent of the rise in profitability and value of the National Freight Consortium after its acquisition by employees in one of the earliest privatisation ventures, six years ago.

The value of shares in the consortium rose by 35 per cent in the company's first five years trading as an employee-owned group.

However, Istel's business, unlike that of NFC, is in high-technology areas, traditionally seen as risky for buy-out ventures because of the unpredictability of revenue in these sectors.

The group's main activities are in factory automation systems, where it developed as an in-house supplier to Rover car plants and in communications network services.

It has become a leading company in the fast developing field of electronic data interchange and offers several screen-based information services. The interchange comprises paperless trading systems which allow companies to order and bill products over their computer networks.

David Fishlock on privatisation plans for British Technology Group

Invention needed to sell ideas dealer

Ian Harvey: business as usual promised while sell-off considered

A BUSY spring looms for Mr Andrew Jordan, a partner in accountants Coopers & Lybrand, who has just undertaken to report to the Government in eight weeks on how to privatise the British Technology Group.

British Technology Group is probably the Government's most enigmatic investment: even its own top executives will not hazard a guess at its value.

They spend much of their time qualifying themselves to prospective clients. Last week, Mr Ian Harvey, BTG's chief executive, wrote to 15,000 clients worldwide – "including every inventor who has ever assigned a patent to us" – assuring them it was "business as usual" while the accountants drew up their report for the DTI.

BTG's business is research, and more precisely the transfer of the fruits of research – ideas, inventions and techniques – to industry and commerce. Mr Harvey says simply that his is the world's biggest organisation making money from technology transfer.

In short, BTG's assets are highly intangible portfolios of intellectual property. The group manages the riskiest of all investments.

BTG is the outcome of a shotgun marriage in 1979 between the National Enterprise Board, repository of Britain's industrial "lame ducks" of the 1970s, and the National Research Development Corporation. In 1979, the NEB holdings, shorn of such giants as British Leyland and Rolls-Royce, had a book value of about £850m.

However, the marriage was not consummated until 1983, when the DTI appointed Mr Colin Barker, former finance director of British Steel and Ford Motor Company, as its chairman. They gave Mr Barker a clear brief to shed the remaining "lame ducks" and concentrate on technology transfer.

Since 1984, BTG has obtained £234m in sales from the NEB portfolio. This revenue is handed "straight back to the Treasury," says Mr Emil Kethoke, BTG finance director, without any profit. The book value of its residue is now only £4.5m and its NEB division no longer exists.

What does remain is a team of professional punters, based at the Elephant and Castle in south London, with a burning desire to promote profitably in British technology. They are trained to pick winners in races that may not be run for another 20 years. The punters total 180, two-thirds technically qualified and including 40 with doctorates.

Gone are the days when staff were obliged to look carefully at every idea submitted and be prepared to defend their decisions before politicians; when inventors would insist that, as taxpayers, they had a right to hand-outs for their time, travel, machines or whatever.

BTG no longer has any right of first refusal on academic inventions. Many universities have set up their own mechanisms for commercial exploitation, while the City has many venture capital groups scouring academic institutions for ideas.

However, BTG has been freed to use its best commercial judgment in picking inventions worth backing. "We have a knowledge of how to handle licensing and patenting on a world scale, which others don't have," claims Mr Harvey, a Cambridge engineer wooed from the US by Mr Barker in 1985.

Administratively, BTG reports to the research and technology division of the DTI. But Mr John Morton, the secretary, emphasises that BTG is no government-funded agency.

Last year, the group showed a pre-tax profit of £8.4m on revenues of £16.5m. For the year just ended, Mr Harvey expects higher profit on revenue of about £20m.

The big earners in the portfolio at present are patents assigned to several British universities for the basic inventions behind medical imaging by nuclear magnetic resonance, and the pyrethrin insecticides discovered in government laboratories.

A total of 50 projects form the backbone of its investment portfolio. Of these, 40 are already licensed. They include drugs, vaccines, diagnostic materials, insecticides, farm machinery and vehicle transmission systems.

Investments have a net book value of about £27m. Still more encouragingly, new ideas – especially medical ones – are being submitted at a rate "greater than we can currently handle." Revenue on new deals is shared 50-50 with the innovators.

This is all part of the dramatic change in the commercial attitude of BTG. A decade ago, executives still believed the important thing was to get British technology to the market "even if we had to give it away."

Today, they are out to get a good deal. Executives are trained to negotiate. "The desire for a good deal is something we've worked on quite hard," says Mr Morton.

Their latest enthusiasm is to persuade research-based companies that BTG might handle their portfolio of inventions peripheral to the core business. So far, about a dozen ideas have surfaced.

What Coopers & Lybrand manage to make of all this ferment of technology transfer can only be guessed at. The DTI has shown sensitivity in drafting its briefs, stipulating for instance that the advice tendered should try to ensure the continuity of BTG's role in encouraging effective use of publicly-funded research.

The DTI wants the accountants to consider such options as a stock market flotation, through sale to one or a group of investors, or management buy-outs. The key questions that must be addressed are: is privatisation of BTG practicable? And how much can the Government expect it to fetch?

Corporate finance boutique set up

By Clive Wolman

A CORPORATE finance advisory boutique, BKR Financial, was launched yesterday backed by the property company London and Edinburgh Trust which has taken a 50 per cent stake.

The chairman of the company, Mr Bob Rankin, was formerly chief executive of Balfour Beatty, the construction company subsidiary of BICC. The chief executive of BKR is Mr Martin Knight, who has left the export and project finance team of the merchant bank Morgan Grenfell.

Mr John Beckwith and Mr Stuart McDonald, the chairman and joint managing director of London and Edinburgh, have become non-executive directors.

BKR plans to specialise in demerger and management buy-in activities which will include taking stakes in client companies. It also plans to advise on the raising of development and venture capital and on project finance.

The launch of BKR as an independent company follows that of several other small corporate finance companies set up in the US and UK in recent years.

The two most ambitious ventures, launched in February, have been Wasserstein, Perella and Co, headed by two leading corporate financiers from First Boston investment bank in the US, and Hambro Magan, formed by two City corporate financiers from Morgan Grenfell and Hambros Bank.

Britannia buys agency

BRITANNIA Building Society, the ninth largest UK society with assets of £4.5bn, has purchased Michael Duffy & Co, an estate agency company based in Cheshire and the north Midlands.

Warning on rates for new offices

By Paul Cheeseright, Property Correspondent

GROWING uncertainty about the future of the office market in the City could be heightened by problems with the introduction in 1990 of the uniform business rate, according to Dron and Wright, a firm of chartered surveyors.

The firm claimed that it had found an anomaly arising from the phasing-in of the new rating system. It said the anomaly could mean substantially higher rates for new buildings.

The Government has stated that there will be a transitional period for introducing the uniform business rate, although it has not yet decided how the transition will work.

The amount of rates to be paid will depend on the value of the property at April 1988. That is based in turn on the rental value

Rents in the City have risen by up to 75 per cent in the past year, suggesting that rates under the new system will be substantially higher

But Dron and Wright said it had found that no transitional provision had been made for the treatment of unassessed new premises.

It calculated rates for two virtually identical buildings, one assessed before April 1990 and permitting a phasing-in of the new rate, and the other assessed afterwards, and so not given the phasing-in concession.

Dron & Wright said there could be a disparity of more than 50 per cent in the two rate bills. The firm added that there were apparently no plans to correct the anomaly.

The firm said that might not matter in a rising market, where there was strong demand. Rates typically have been less than a third of rental charges.

In its latest survey of City office supply and demand, Jones Lang Wootton, chartered surveyors, noted that the amount of space covered by proposed developments had reached 28m sq ft.

That was equivalent to about a fifth of the actual office stock, and office-users were expected to have much more choice in 1990

If it occurs, the rating anomaly will ease progressively through the transitional period. But landlords and developers may still have to reduce rents to take into account higher rates.

Software leasing scheme launched

TERRY DODSWORTH

ONE OF the UK's leading computer leasing companies is launching an innovative leasing service to counter the rapidly escalating costs of computer software.

ECS, a subsidiary of Société Générale, the French banking group, said it had started the software leasing plan following favourable guidance from the Inland Revenue, which said software could be classed as tangible assets and would therefore qualify for standard capital allowances.

It said costs to customers would be about two percentage points lower under the leasing arrangements than under conventional credit financing.

The scheme, aimed solely at the market for computers made by International Business Machines, follows a surge in the cost of software programmes – the instructions that control the way a computer runs – in the past 10 years. It differs from present arrangements for financing software by keeping the software lease separate from the hardware products.

Leasing companies sometimes wrap together specialised applications programmes with the hardware in a single leasing arrangement. This approach, however, can create questions over ownership licences, whereas the ECS claims that its plan leaves title unambiguously with the programming company.

According to Mr Antoine Colboc, managing director of ECS in the UK, about 60 per cent of the cost of the average computer installation is tied up in software with the other 40 per cent in hardware. Ten years ago, software accounted for only 40 per cent of total costs on average.

This change in the relationship between hardware and software reflects the computer industry's continuing ability to increase the power of its machines by about 30 per cent a year through the development of microcircuitry.

As a result, hardware prices have fallen rapidly in real terms, enabling users to buy much more power for the same financial outlay. At the same time, however, the programmes to run the computers have become much more complex in order to extract the most from the machines.

Mr Colboc said: "Software is a direct reflection of the price of labour because each programme has to be written by an individual."

ECS's software leasing arrangements are directed solely at IBM machines because the company does not deal in any other computer brands.

Amstrad sees NHS order as market breakthrough

BY OUR INDUSTRIAL EDITOR

THE AMSTRAD personal computer group claims to be on the verge of a breakthrough into the corporate computing market following a £2m order from the South West Regional Health Authority.

The contract, awarded by the health service's central buying department, is the first large bulk order for the new central sales department set up by Amstrad a few months ago to attack the corporate personal computer market.

The company believes the order is likely to be followed by others from health authorities throughout the UK. Amstrad also says that it will soon be announcing other deals with large quoted companies.

The company made clear it intended to increase the emphasis on sales to business with last year's launch of its more powerful 1640 personal computer.

There are also indications that Amstrad is planning to launch other products aimed at the market for departmental computer systems, which depend on the ability to link personal computers in networks.

Industry estimates give Amstrad just more than 41 per cent of the UK personal computer market, at present measured on the basis of units rather than value.

Peter Marsh on Britain's decision to join the Columbus project

Space research put back into orbit

A DECISION that Britain is to join an international space station project for the late-1990s is to be confirmed today.

The project, called Columbus, will give the country about the same status in the venture as Spain and Belgium but significantly less than West Germany, Italy and France, the European countries most heavily involved.

Today's announcement from the the Department of Trade and Industry is likely to commit the UK to providing about 7 per cent of the estimated £2.2bn cost of Columbus, a laboratory and associated space modules that is to be western Europe's contribution to the international venture.

West Germany, Italy and France have agreed to contribute, over the project's 10-year development phase, 38 per cent, 25 per cent and 14 per cent respectively. Spain is providing 6 per cent and Belgium 5 per cent.

Columbus, under a deal between the US and the 13-nation European Space Agency, is due to plug into the main US core of a set of linked space laboratories.

This will have a crew of eight and house scientific experiments in areas like low gravity materials-processing.

Total costs of the space scheme are estimated today at £11bn but could easily treble by the time the project ends in about 1998.

The main UK involvement will be in building a satellite associated with Columbus for taking pictures of Earth.

Kenneth Clarke: yielded to pressure from ESA nations

Partners in ESA, officials of which are meeting in Noordwijk, The Netherlands, today and tomorrow, are expected to welcome Britain's decision.

Britain, till now, has been the only big ESA nation not taking part in Columbus, saying it was too costly and unlikely to yield commercial benefits.

However, it appears Mr Kenneth Clarke, Minister for Trade and Industry, has yielded to pressure during the past few weeks both from other ESA nations and the UK space community.

Mr Heinz Riesenhuber, West German research and technology minister, twice wrote to Mr Clarke since the year's start. He set out benefits of participation and possible damage to European space collaboration if Britain continued to slight Columbus.

Mr Clarke is also believed to have been swayed by ESA redesign of the satellite in which Britain is to be most involved. ESA cut the weight of the satellite, the polar platform, from about 3.5 tonnes to two tonnes.

This cut cost from about £400m to £250m, putting a cheaper price on UK entry to the overall Columbus programme.

None the less, the expected UK 7 per cent stake in Columbus is about half what the UK had been planning to contribute up to last summer when Mr Clarke took charge of UK space policy, forcing an overall rethink.

At the weekend a senior West German official welcomed the UK decision, but saw it as overdue. "It sends a very positive signal to the whole European picture in space policy," he said.

Sir Geoffrey Pattie is the former industry minister who was dismissed last summer, his post going to Mr Clarke.

He said: "I am pleased by the fact that Britain will be in Columbus although I would have liked to see us being rather more wholehearted about the programme. It would have been unforgivable it Britain had not been part of the space station."

Mr Jack Leeming, who retired six weeks ago as British National Space Centre chief, said the relatively small scale of UK participation in Columbus meant he was not jumping over the moon at the announcement. "But I'm relieved." His successor is due to be named today.

Observers of space policy in the US welcomed news of UK participation. The US Government is expected to put up about three-quarters of total venture costs.

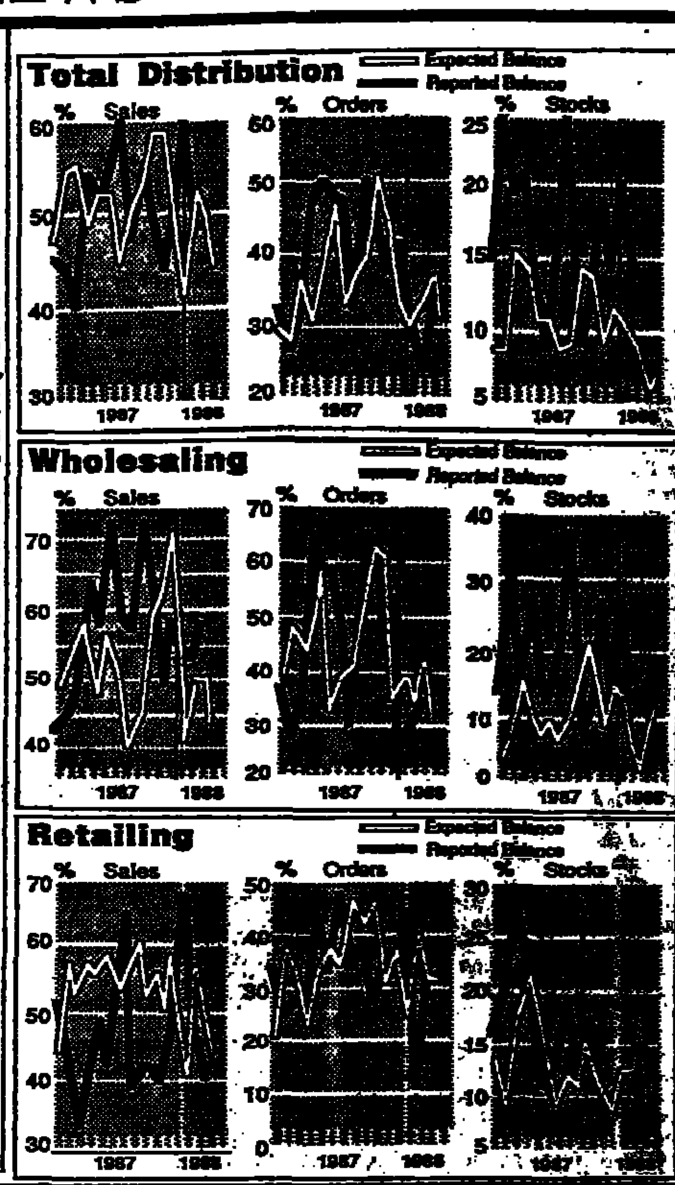
Prof John Logsdon, a space policy expert at George Washington University, Washington, said it would have been politically embarrassing had the international space venture gone ahead without the US gaining the support of Britain, its closest ally.

Mr Henry Herzfeld, a technology consultant in Washington who was formerly chief economist at the US National Aeronautics and Space Administration, said the space station scheme was not without risks.

"But I would have thought that a country like Britain would have felt it would be necessary to get involved if it is not to lag behind in an important area of technology in the future," he said.

British Aerospace is the main UK company likely to benefit from the British announcement. It stands to gain, through formal UK participation in Columbus, an ESA contract for building the polar platform's main part.

However, it can expect competition for this from other European companies such as Dornier of Germany and Matra of France.



Retailers predict slower growth in high street sales

BY RALPH ATKINS

SALES GROWTH in high street shops is forecast to slow this month after buoyant increases during the winter, retailers report today.

The Confederation of British Industry/Financial Times survey of distributive trades shows a marked fall in optimism. Out of 296 retailers questioned, 15 per cent said they expect a fall in sales volumes this month compared with April last year, while 58 per cent expect an increase.

This meant the balance of those expecting a rise in April minus those predicting a fall was only +43 per cent.

That was slightly higher than the forecast for January's sales compared with a year before, but is otherwise more pessimistic than in any month since April 1986. It compares with forecasts of +56 per cent and +51 per cent for February and March respectively.

Mr John Caff, CBI economic director, said that in the second half of 1987 the survey results suggested the underlying rate of retail sales growth was steadying.

"While year-on-year sales increases have been relatively buoyant over the winter months, this has mainly reflected the unseasonally mild weather, compared with the bad conditions last year," he said.

The latest survey shows that reported sales growth returned to more modest levels in March. The balance of retailers noting an increase compared with March 1986 was +40 per cent. In January and February the balances reporting increases were +67 per cent and +46 per cent respectively.

"Moderation in the underlying trend of sales growth has been maintained over the first quarter of the year, and it looks as if it will continue into April," said Mr Caff.

The survey results are slightly at odds with official retail sales figures which in February showed little sign of a slowdown in the underlying growth rate. Provisional figures for March's sales will be published today.

Other economic statistics suggest buoyant retail sales growth in coming months: earnings are rising much faster than retail prices and people are saving less of their incomes. The fall in mortgage rates last week and Budget tax cuts are likely to increase consumers' spending still further.

The survey shows chemists the most optimistic about April sales, with stores selling household textiles, furniture and carpets also expected to do well.

Among wholesalers, March's sales volumes were higher than expected, with a balance of +58 per cent reporting an increase compared with the same month last year.

Builders' merchants and food and drink wholesalers reported the largest increases in March. Builders' merchants and wholesalers of electrical insulation material were the most optimistic about sales in April.

Sales growth among motor traders also exceeded expectations in March. The balance reporting an increase compared with the same month a year before was +44 per cent. A balance of +45 per cent expect an increase in April – the most optimistic forecast since April 1986.

Stores and banks 'face conflict on plastic cards'

BY MAGGIE URRY

A CONFLICT between shops and banks about credit cards and electronic transfer of funds at point-of-sale (EFTPOS) is predicted in a study of retail groups.

The report, Retailers and Payments, is published by Lafferty Publications and sponsored by Price Waterhouse, the accountancy firm. Interviews were held with 37 retailers in seven European countries.

Mr Ron Nevans, author of the report, says merchant discounts are probably doomed. That is where banks take a percentage of the transaction value when a customer uses a credit card.

In Britain the discount averages 2.3 per cent. In some other European countries the percentage is much higher.

"Retailers throughout Europe are becoming increasingly disenchanted with plastic payment cards because they doubt that the increase in sales is worth the cost," the report says.

One German store chain has stopped accepting credit cards in 20 of its stores as a negotiating threat, while in a small French town stores are boycotting cards.

Retailers and Payments. Lafferty Publications, Axe & Bottle Court, 70 Newcomen Street, London SE1 1YT. £395.

APPOINTMENTS

Procter & Gamble fills senior post

PROCTER & GAMBLE LTD has appointed Mr John O' Keeffe as general manager in succession to Mr Ronald G. Pearce from May 1. Mr O'Keeffe will also become managing director. He was general manager-Taiwan with P & G's Modern Home Products company. Mr Pearce leaves the UK to become division manager-Japan.

★

Mr Geoffrey Barnes has been appointed divisional operations director,UK, of the flexible packaging division of LAWSON MARDON GROUP (EUROPE). He was managing director of DRG Flexibles.

★

GEORGE H. SCHOLES has appointed Mr Richard Thornton as company secretary. He was financial controller at Tiger Tim Products.

★

Mr Brian Stone, business development manager at Nacanco, has taken over from Mr Paul Knocker as chairman of the CAN MAKERS.

★

HAMMERSON PROPERTY & DEVELOPMENT CORPORATION has appointed Mr James H. Riddell to the board as group finance director. He was a director of County NatWest.

★

Mr David N. Robinson has been made group finance director of ADS oa, the parent company of ADS Office Systems Group.

★

At THIRTY FIVE GROUP Mr Simon Burbidge has been elected to the board with specific responsibility for sales and marketing.

★

Mr D.A. Green has been appointed finance director of TAYLOR WOODROW. He became a director of Taylor Woodrow Services in 1985 and chairman of the company in 1987. He is also a director of Taylor Woodrow International BV and Taylor Woodrow Investment Inc.

★

ECGD has made two board appointments: Mr Michael Hawtin will become director of the resource management group and Mr Gerry Breach director of the international group. Mr Hawtin will join from the Treasury on May 16 to replace Mr Fred Chapman, who is going on secondment to the Varity Corporation as the treasurer(Europe). Mr Breach will replace Mr Bob Kemp who is retiring on June 17. Mr Breach's current responsibilities include country policy for the American markets and international debt.

★

Mr Chris Walker has become business development director at ROCKWOOD DISTRIBUTION SERVICES, part of the Rockwood Group. Mr Barry Kitchen has been made operations director.

★

VERSATEC ELECTRONICS has appointed Mr Bob Brown to its board as marketing director.

★

H YOUNG HOLDINGS has made Mr I. Foster an executive director. He joined the Young Group on the acquisition of ECC Electronics on February 27 1988.

★

Mr Donald McGruther has been appointed a partner at GRANT THORNTON's Glasgow office. He will assist in the development and promotion of the firm's insolvency expertise in Edinburgh.

★

Mr Gordon Curd and Mr Phillip Ashworth have been appointed executive directors of LEX VEHICLE LEASING. Mr Curd is responsible for operations and Mr Ashworth finance.

★

Mr Mark Rayner has become managing director of FINANCE & INVESTMENT EVENTS.

★

Mr Dave Jones, formerly assistant managing director of HURRANS GARDEN CENTRE GROUP, has been promoted to *joint managing director*.

★

MOWLEM MANAGEMENT has appointed Mr Ian Grice as deputy managing director.

★

WORMALD INTERNATIONAL has appointed Mr Cliff Buckley as managing director of its UK operation. He joins from Wormald Engineering.

★

PRIME ORGANISATION has promoted Mr Howard Rowley from finance director to assistant general manager of Prime Health. Mr David Norman, direct response director, moves to group marketing director of Prime Sales.

Architecture/Colin Amery

French view of the English garden

It was in 1728 that Charles Bridgeman was appointed Master Gardener to King George II. It is generally thought that in reality he worked directly for Queen Caroline, who was an extremely enthusiastic gardener. Bridgeman designed Kensington Gardens for her and it is Bridgeman's Serpentine and Round Pond flanked by radiating rides that survive today. The gardens he made for Queen Caroline at Richmond were fascinating for the introduction of meadows and belts of trees between more formal elements. When Bridgeman *was joined in the 1730s by* William Kent, things became more picturesque with the addition of the Hermitage and the cave of Merlin.

One of Rigaud's views of the landscape garden at Stowe

Stowe and Rousham are the two major surviving gardens where Bridgeman worked, but Kent's influence is so strong on those two gardens that Bridgeman's elements can hardly be seen independently. We know how much Kent admired the *Villa Pratolino near Florence* with its terraces and grottos and that his eight years spent painting in Rome had made him an admirer of the idealised landscapes of the Campagna. From his Italian experience was to come the great transformation of English garden design and Bridgeman was to be eclipsed.

It is this fact that makes the publication of a fine facsimile of Rigaud's Views of Stowe Gardens *a welcome opportunity to contemplate the moment of change* in English landscape gardening. (The facsimile edition is published by BW Publications, 16 Millfield Lane, London, N6 6JD, in a limited edition of 450 copies at £188.) The skilled hand of Ben Weinreb has overseen the production of this large-scale volume. The book does provide an opportunity to own a full-size copy of a rare set of engravings.

Bridgeman commissioned the French artist Jaques Rigaud to record the views of Stowe. *Rigaud was already famous* in 1733 for his drawings of the French royal gardens. There is a certain tragic vanity in the fact that it was Bridgeman who commissioned these fine views just as his own work was going out of style. The printing and organisation of this record is well told in an appendix by the expert on Stowe, George Clark, who also has also written the notes on each view.

There is not a comparable series of such early views of any garden in England. Part of their interest also lies in the fact that they include the temples of Gibbs and Vanbrugh. It is interesting to observe, for example, the original high profile of Vanbrugh's dome on the rotunda which was subsequently altered to a more shallow profile to match the softening of the landscape after 1725. The formality of the plan lends itself to the artist's exploitation of the long perspective view. I suspect that there may be a return to the

These views provide a welcome opportunity to contemplate the moment of change in landscape gardening

more *formal* and *geometric* approach to landscape design towards the end of this century. Will Versailles come to Docklands? Whatever happens to the meanderings of the rather uncertain world of landscape design in this century — these glorious engravings of the world of the 18th century pleasure ground deserve to lie on the table of any civilised library.

The art of the engraving was the basis of the spread of architectural ideas in the past. Only Vitruvius survives from antiquity with his description of the Orders. It was the Renaissance that brought about codification and the great procession of volumes of Serlio, Vignola, Palladio, Scamozzi, which present the classical orders as a humane formula for architects to adopt.

In an exhibition at Sotheran's new gallery at 80 Pimlico Road, London SW1 entitled "Doric Ionic Corinthian" during April, there is an opportunity to purchase *engravings from some* editions of these important theses. This newly located gallery specialises in architectural material and has indeed absorbed much of the stock of the dealer Ben Weinreb. The prices are from reasonable to high but £465 for the Piranesi "Nine different Roman Columns" is nowadays reasonable. The range of material here is excellent and the exhibition moves from the academic recording of the Orders to the measured drawings of classical Roman buildings by Desgodetz, Le Roy and Vredam de Vries.

Among the exhibition material lurk other treasures. It was exciting to see C R Cockerell's "Tribute to the Ancient Buildings of Rome" — (yours for £60,000) but more fascinating was Sir James Pennethorne's competition entry for the Royal Exchange. This fine pen, ink and watercolour drawing shows his Halicarnassus-like intentions for this prominent site. It would certainly have been more thrilling than the winning scheme by William Tite which was built. The provenance of this *competition drawing is faultless* as it comes directly from the descendants of the architect, which accounts for the substantial price of £65,000.

Sotheran's new Pimlico Road gallery is a welcome addition to the architectural scene in London and I hope to review their next exhibition which will, appropriately for the week of the Chelsea Flower Show, concentrate upon garden designs. "Topiary Trellis and Temples: European Gardens 1650-1825" will open on May 17 and the Gallery will remain open for the evenings of the flower show.

*

I have been asked to point out, following my article about Canary Wharf last week, that the architect Norman Foster has never been approached by the developers Olympia and York to undertake any architectural work for that site.

Don Juan/Royal Exchange, Manchester

Martin Hoyle

Molière's unconscious anticipation of the hair's breadth that seperates the social critic from the Nietzschian superman, the fastidious from the fascistic, is handsomely played out in Manchester. Ian McDiarmid's intelligent production enjoys Baroque visual flourishes that fleetingly recall Fellini's *Casanova*, Losey's *Don Giovanni* and Cocteau's *La Belle et La Bête*.

Julian McGowan's set is well in the proud Royal Exchange tradition: a black platform from whose uneven surface smoke rises from the play's start, a *memento averni*. Fluted pillars are suspended in mid-air, their charred bases melted and blistered to a sharp point; they hang over the action like daggers poised. Nick Chelton's lighting, the dripping water and swelling organ tone of Jeremy Sams's music make the mausoleum superbly dramatic, when sculpted swags and death masks are revealed round the balcony in a garish, unearthly glow.

Apart from such fanciful bagatelles as an opening masque for ragged players and a roccoco groaning board on human table legs, the production keeps to Molière's straightforward style with clear, uncluttered acting. Bernard Bresslaw is Sganarelle; no comic below-stairs pleb but as well-spoken as his master. Given both his bulk and his articulateness, one only wonders why he cravenly gives in to Juan all the time. It must be economic expediency, the expectation of those back wages he finally laments over the libertine's grave. His comedy is understated.

As Elvira, Katherine O'Toole displays the family intelligence and the family bone-formation - as far as I could see; for the director has yet to give a fair share of visibility to 360 degrees-worth of spectators and to keep masking to a minimum by making the characters more mobile. Miss O'Toole needs vocal thrust, but speaks beautifully, with confidence and touching dignity. To revert to my hobby horse, where do the talent scouts for the National and the RSC spend their time? *The Irish accented peasantry throws up a Charlotte in* Michelle Fairley, accomplished to her fingertips and yet again proving that this company has as keen a nose for young female talent as Don Juan.

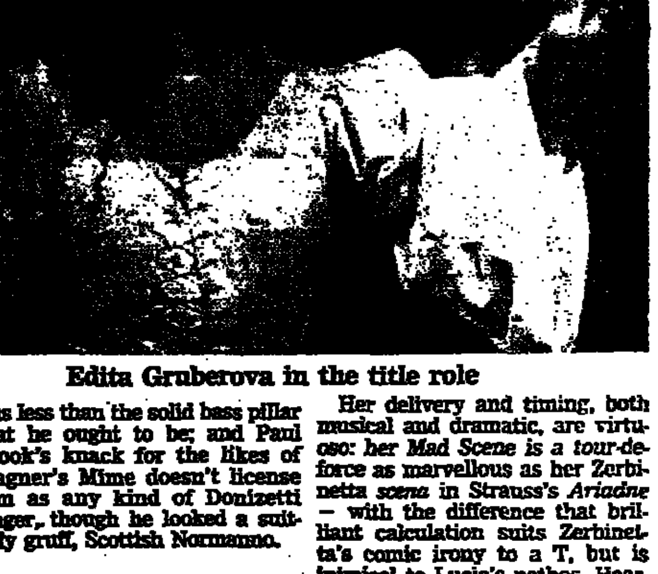
That compulsive technician (the initial mechanics are more enjoyable than the realisation) is played by Jonathan Kent in grey silk and a braided pigtail, his cherub face puffy and pallid, his principal boy stance is as apt as his impeccable delivery of John Fowles' translation - used some years ago at the National in a worthy but dull production. No dullness here, from the whispering statue's self-raising visor through the frenetic Baroque musical jangle to the clockwork parade of mourners, dipping and bowing in unison. Could someone tell our two national companies how it's done?

Lucia di Lammermoor/Covent Garden

David Murray

For a revival credited to no producer at all, the latest Royal Opera *Lucia* does remarkably well. The Zeffirelli décor, now in its thirtieth year, is fading (and less cunningly lit than of old), but the current cast walk through it as if they knew what they were doing. Better still they sing like that; and the conductor John Pritchard *attends to them* with keen solicitude, though he brings no special verve to Donizetti's score.

Before we get to Edita Gruberova, whose first appearance here as Lucia is of course the point of the whole exercise, her colleagues deserve some approving comment. The Argentinian tenor Luis Lima is back as Edgardo, in enthusiastic and genuinely stylish form (missing only the ultimate degree of vocal finesse: *it is* hard to sing a lot of late-romantic opera without slipping into that broader manner for earlier music). And Alexandru Agache, who by luck was in town when Wolfgang Brendel fell ill, stepped in as the beastly Enrico to excellent effect — sharp, confident, resonant. For once I should have been glad to have their duet-scene reinstated.



Edita Gruberova in the title role

The luckless Arturo was Robin Leggate, handsomely fey, and I liked Jean Treadway's anxious little Alisa. They made sound contributions to the famous sextet (which Pritchard handled *rather too brusquely to expose its* plaintive vein and escape its barrel-organ associations). Giorgio Surian's unimposing Raimondo was less than the solid bass pillar that he ought to be; and Paul Crook's knack for the likes of Wagner's Mime doesn't license him as any kind of Donizetti singer, though he looked a suitably gruff, Scottish Normanno.

Gruberova's Lucia is an utterly professional, utterly modern study. Her hollow-eyed period-mime is delicious, and if she doesn't produce notes quite as beautiful as Joan Sutherland's *it must be allowed that the voice is* well-honed and appealing, with the advantage of a darkly expressive lower register.

Her delivery and timing, both musical and dramatic, are virtuoso: *her Mad Scene is a tour-de-force* as marvellous as her Zerbinetta *scena* in Strauss's *Ariadne* — with the difference that brilliant calculation suits Zerbinetta's comic irony to a T, but is inimical to Lucia's pathos. Hearing what Gruberova can do with the music is a tonic and a great pleasure; had I not heard twenty years ago what Renata Scotto's palette of fragile colours and *morbidezza* (no less calculated) could *disclose in Donizetti's vocal line, I* should admire this expertly resourceful, distanced treatment even more.

Beatrice Cenci/Elizabeth Hall

Max Loppert

With the world premiere of Berthold Goldschmidt's opera *Beatrice Cenci*, presented in concert on Saturday by Lontano, an extraordinary and rather unappetizing chapter in British operatic history has finally been brought to a satisfactory end.

This was one of the four prizewinners in the newly formed Arts Council's 1951 opera competition; for various reasons, none of them very savoury (the four winning composers were the German Karl Rankl, the German Jew Goldschmidt, the English communist Alan Bush, and the Australian Arthur Benjamin), all four were denied their promised staging. (The full story is related in a lucid and informative article by Paul Banks in this month's *Opera*.

Goldschmidt (b.1903), one of the many German Jews from whose forced emigration British cultural life so greatly benefitted, had been a composition pupil of Franz Schreker. He enjoyed considerable early success as both composer (with a first opera performed at Mannheim in 1932) and conductor. It was as a conductor, and particularly as a leading light in the early stages of the British Mahler vogue, that he maintained a reputation in this country. But after a long period of dormancy he has, in his 80s, returned to writing music; and it is the success which has greeted both the new and the rediscovered "old" Goldschmidt that has probably prompted this latest and largest effort of reclamation.

Beatrice Cenci, which Goldschmidt and his librettist Martin Esslin based, largely directly, on the Shelley play, is a compact, clear and impressively professional piece of opera-making in three acts and five scenes. In the postwar world of British opera it could well have added a fresh voice to those of Britten and (later) Tippett, since the experienced, craftsmanlike command of such operatic matters-to-be-solved as vocal disposition, orchestral colour, rhythmic variety, pacing, and control of dramatic events shows through even in concert. The original was intelligently pruned, and then enlarged with Shelley poems voicing the thoughts of characters at crucial junctures. In the last act, the unjust but inevitable death of the titular heroine and her mother brings a slight sense of anticlimax not mitigated by the enriched choral writing in the final scene. But until that point this is an opera that keeps moving — always a notable phenomenon in our century.

It has been claimed that *Beatrice Cenci* differs from those other, earlier 20th-century evocations of violent Italian Renaissance melodrama (such as Schreker's Die Gezeichneten ITALS or Montemezzi's *L'amore dei tre re* in avoiding both sated lushness of sound and neo-verismo overt statement of dramatic style. The influence of Mahler is evident from the first bars, and bears fruit in an harmonic wryness that attractively characterizes Goldschmidt's tonal idiom, as well as restraining the impress of melodrama upon the opera.

I can't conceal that, though I was never bored by Saturday's performance, I was never deeply involved thereby: the characters fail to live in and through their melodies, the unfolding of situations has a quality both "pat" and flat, and the English word-setting sometimes strikes the ear as stiff.

But at the same time I was left wondering, in a good way, about the work's possibly increased vitality on stage — a question which a festival such as Wexford or St Louis could well be encouraged to answer. The concert forces — the London Chamber Symphony and Pro Musica Chorus under Odaline de la Martinez's enthusiastic direction — were admirably well prepared and committed. There were vivid, skilful pieces of concert-opera characterization from Angela Hickey, Ameral Gunson, Stuart Kale (in ringing voice), and the dark-voiced bass John Hall; the prima donna was Helen Lawrence, sometimes shrill or momentarily below pitch but always passionately involved in the part. The concert — part of a Lontano weekend devoted to the music of the "emigrés," Goldschmidt and Karl Weigl — was recorded for future television transmission.

The Scott Moncrieff Prize

The 1987 Scott Moncrieff Prize, for the best translation of a 20th century French work into English, has been won by New Zealander Ms Robyn Marsack.

She was awarded the prize for her translation of *Le Poisson-Scorpion*, by Nicolas Bouvier. The Scorpion-Fish is published by Carcanet Press, price £9.95. The French version of the book is published by Gallimard.

This is the 24th year of the award, named after the first translator of Proust, which is worth £1,500 to the winner.

The prize is administered by the Society of Authors, incorporating the Translators Association, with financial support from the French Government.

Princess Ivona/Lyric Studio

Martin Hoyle

Witold Gombrowicz was a bisexual Polish-born French-domiciled Argentinian who once, understandably exasperated, swept all labels aside with the declaration "I am nothing at all; I am an artist. And even that is going too far. I am Gombrowicz. And even that's too much. I am who I am." Artistically he is just as hard to categorise: expressionist, surrealist, anarchist, absurdist, wryly Slav, shruggingly Gallic, aristocratically disdainful, irreverently iconoclastic... All the easier then, for an intelligent young troupe like the Actors Touring Company to make what they will of this *tabula rasa* in the first professional production in Britain since the Schiller Theatre visited the Aldwych in 1971.

An excellent amateur production by the Ealing Questors four years ago set the tale of the prince obsessed with the ugly and universally despised Ivona at a brilliant tatterdemalion court, a colourfully heraldic comic-strip version of mythic royalty out of Ghelderode. Liz Brotherston's set for the ATC makes a virtue of the simplicity necessary for touring and plunges us into a nightmare world somewhere between Beckett and Georg Grosz.

We are faced with a row of eight cubicles. In them are slumped the eight actors, ashen-faced, their suits and dresses frayed and grubby. The tramp-like appearance contrasts with the haughty airs they assume once, in response to an electric bell, they have stirred and advanced towards us like expressionless dummies. This is the court, only a few degrees less grotesque than Ivona herself. She soon appears escorted by her impatient aunts ("Why don't you try pole-vaulting? Other girls do"), pigeon-toed, hunched, slouching, blank-faced, screw-eyed or leering. She swells in the autumn and stinks in the summer, the eternal loathing-object.

The prince, perhaps bored with his university course (advanced furnace construction), is fascinated. "One is tempted to harm you *in some way*," he *exclaims*. "You're the universal irritant." Ivona inspires that half-guilty, half-fascinated mixture of disgust and selfish relief that we all feel in the presence of the revolting. The prince announces their engagement ("she is my own dragon to be slain — my own gordian knot") and proceeds to discuss, puzzle over and analyse the mute lump in her presence ("like prodding a worm with a stick") much as the captain and doctor discuss Wozzeck.

Mark Brickman's intelligent direction evokes smooth, efficient playing, already successfully received on a nation-wide tour. Emma Dewhurst's selfless portrayal of Ivona is almost too pointed for this highly stylised *world*; there are disturbing hints of recognisable and naturalistically-depicted handicaps; but as a technical feat it's awesome. To be caught at the Lyric Hammersmith's Studio until the end of the month.

Messiah/Barbican Hall

Richard Fairman

Either the voltage was down, or our expectations after Roger Norrington's electric performances in London recently have raised expectations too high. This *Messiah* at the Barbican on Saturday *was no match for the performances* we heard during the Christmas season from Handel interpreters as diverse as Solti or The Sixteen, and might well be regarded as dispiriting by any standards.

The idea of matching the authentically minded Norrington with the London Symphony Orchestra is not as unlikely as it may seem, for there is no reason why the virtues of the authentic style should not be passed on to traditional musicians. That the idea did not work on this occasion was cause for regret. But what was more disturbing was the self-conscious interpretation willed upon them — just the kind of approach to Handel that one would have thought this conductor of all people would abhor.

Out went the usual Handelian energy and attack. And in its place came much fussing over details (this note staccato, that note legato) and a kind of rhythmic flaccidity that left the choruses sounding distressingly insipid. The Schütz Choir of London is a responsive body of singers and one can only assume that the limp, legato singing they offered in fugal pieces like "And the Glory of the Lord," taken at a smoothly swaying one-in-the-bar, was what Norrington wanted.

For its part, the LSO is not a Handel orchestra and there was no escaping the fact in a performance with more than its fair share of false entries. (Not enough rehearsal time, perhaps?) One longed to have a little more flexibility for Philip Langridge on a night when he was in less than his best voice, and stronger support for Susan Bickley, whose contributions were too self-effacing. Between them, conductor and mezzo made "He was despised" sound quite complacent.

Altogether the saving grace was the singing of the other two soloists. Lynne Dawson matched pure, "authentic" tone to singing of the proper scale in the soprano solos; and John Tomlinson, seemingly bigger of voice every time one hears him, dug into the words of the bass part with an imposing force of personality. Their arias were the live moments in a remarkably listless evening.

Arts Guide

April 15-21

Music

PARIS

Ensemble Instrumental a Sei Voci (Auditorium des Halles). Costeley, Bertrand, Sermisy (Mon). (42 30 15 16).

Hanna Schwarz (Théâtre de l'Athenée). With Erik Werba, piano (Mon). (47 42 67 27).

Tokyo Metropolitan Orchestra (Salle Pleyel). Conducted by Maître Wakasugi: Mozart, Tchaikovsky, Brahms (Mon). (45 63 88 73).

Berlin Radio Symphony Orchestra (TMP-Chatelet). Conducted by Riccardo Chailly: Mozart, Mahler (Mon). (42 33 44 44).

Ensemble Orchestral de Paris (Salle Pleyel). Conducted by Armin Jordan, Mikhail Rudy, piano: Schoenberg, Schubert, Mozart (Tue). (45 63 88 73).

Ensemble Vocal of Neuilly and Ensemble Orchestral Harmonia Nova (Saint-Roch Church). Faure Requiem, Caplet-Three Prayers For A Baritone conducted by Didier Bouture (Wed). (42 61 93 26).

Nouvel Orchestre Philharmonique (Radio France, Grand Auditorium). Conducted by Marek Janowski, Raphael Oleg, violin: Schubert, Berg (Wed). (42 30 15 16).

Orchéstre de Paris (Salle Pleyel). Conducted by Alain Lombard, Natalia Gutman, cello, Jean Dupouy, Alto: Haydn, Saint-Saëns, Berlioz, (Wed, Thur). (45 63 88 73).

ITALY

Milan, Teatro alla Scala. Violinist Oleg Kagan and pianist Vassili Lobanov. Beethoven, Schubert and Schnittke (Mon). (80 91 26).

Parma, Teatro Ducale. I Solisti Aquilani conducted by Vittorio Antonellini. Rossini, Sacchini, Cirri and Rolla (Wed). (95561).

Rome, Oratorio del Gonfalone, Via del Gonfalone 32/A. Die Kammermusiker Zurich. Beethoven, Mozart, Schubert and Brahms (Thur). (66 75 952).

NETHERLANDS

Amsterdam, Concertgebouw. The Netherlands Philharmonic Chamber Orchestra conducted by Lev Markiz, with Maria Tipo, piano: Mozart, Bartok (Tue). Christoph von Dohnanyi conducting the Concertgebouw Orchestra, with Yevgeni Kissin, piano: Brahms, Chopin, Schönberg (Wed, Thur). (718 345).

Amsterdam, Paradiso. The Netherlands Chamber Choir and the Schönberg Ensemble: Dallapiccola, Nono, Petrassi, Scelsi, Maderna (Tue). (26 45 21).

Utrecht, Vredenburg. Lev Markiz conducting the Netherlands Philharmonic, with Elisabeth Leonskaja, piano: Janáček, Mozart, Tchaikovsky (Wed). Concert performance of Verdi's La Traviata, with the Utrecht Opera Choir and soloists conducted by Johan van de Kamp (Thur). Recital Hall: The Udo Reinemann Vocal Quartet, with David Selig, piano: Brahms (Tue). (31 45 44).

The Hague, Philipszaal. The Hague Philharmonic: Lotti, Schubert, Ibert, Malipiero, David, Roussel (Wed). James Conlon conducting the Rotterdam Philharmonic, with Ken Noda, piano, and Hakan Hagegard, baritone: Mozart, Mahler (Thur). (80 88 10).

Scheveningen, Circus Theatre. Prizewinners of the 1988 Scheveningen International Flute Competition, with the Radio Symphony Orchestra conducted by Kenneth Montgomery (Thur). (55 88 00).

NEW YORK

Alfred Brendel (Carnegie Hall). All-Schubert piano recital. (Mon). (247 7800).

Philharmonia Virtuosi (Town Hall). Richard Kapp music director, Thomas Young tenor, Taghkanic Chorale directed by Dennis Keene. Handel, Telemann. Gilbert & Sullivan (Tue). (842 1818).

Lenore Weinstock (Merkin Hall). Viola recital. Bach, Brahms, Vaughan Williams, Tibor Serly, Karen Campbell (world premiere). (Tue). (362 8719).

New York Philharmonic (Avery Fisher Hall). Charles Dutoit conducting, Jean-Phillippe Collard piano. Dutilleux, Ravel, Stravinsky (Tue): James de Preist conducting. Haydn, Persichetti, Tchaikovsky. (Thur). (874 2424).

Sherrill Milnes (Kaufmann Hall). Baritone recital. Handel, Marcello, Getry, Santoliquido, Somervell, Saint-Saëns (Wed). (996 1100).

Ursula Oppens (Kaufmann Hall). Piano recital. Mozart, Kisler, Schubert, Bley, Chopin, Carla Bley (Thur). (996 1100).

Meridian Arts Ensemble (Juilliard Concerts at the IBM Garden Plaza). Brass quintet ensemble performs Bach, Bernstein, Joplin, Handel (Wed, 12.30, free). At 56th & Madison.

WASHINGTON

Monte Carlo Orchestra (Kennedy Center Concert Hall). Lawrence Foster conducting. Katia and Marielle Labeque duo pianos. Dukas, Bruch, Roussel (Mon). (254 3776).

National Symphony (Kennedy Center Concert Hall). Rafael Frühbeck de Burgos conducts Beethoven and Stravinsky (Tue 7). (254 3776).

Alfred Brendel (Kennedy Center Concert Hall). All-Schubert piano recital. (Wed). (254 3776).

Saleroom/Susan Moore

All eyes on Turner

Today at 11am one of J.M.W. Turner's most highly developed Venetian watercolours goes under the hammer at Phillips. It is an atmospheric view of the Grand Canal with S. Maria della Salute set against a brooding, storm-set sky and glowing yellow sunset. Executed in watercolour *and bodycolour with scraped out* highlights, probably in 1840, the drawing was possibly a presentation study for a client.

Only four Venetian watercolours remain in private hands, this one — on loan to the British Museum 1972-88 — is sent to auction by the descendants of Turner's agent, Thomas Griffith. Given its market rarity, provenance, excellent condition and great beauty, Phillips are anticipating a huge price, somewhere in the region of £300,000 to £500,000. The current record for an English watercolour is *£367,000, paid for a less* impressive Turner Venetian view at the Gaines sale in New York in 1986.

For the rest of the week in London the focus is on Old Masters. Tomorrow Christie's offer a rare and very strong Leonardesque red chalk drawing by Giovanni Agostino da Lodi (estimate £25,000 to £30,000), and a double-sided sheet of black chalk studies of a statuette of Atlas by Tintoretto (estimate £30,000 to £40,000). The firm's paintings sale on Friday contains two "discoveries," the more interesting, "The Meeting of Jacob and Laban," attributed to Pietro da Cortona (£60,000 to £80,000). Of the five various Brueghels, the most appealing is a tiny landscape featuring a ruined Roman mausoleum by Jan Breughel I. A winter landscape by Aert van der Neer is expected to find the top price of £250,000 to £350,000. Star turn of Sotheby's sale on Wednesday is Jan Van Os's still life of fruit and flowers (£200,000 to £250,000).

An interesting *group of Renaissance* bronzes appear in Christie's on Wednesday, including two late 16th century Florentine bronzes after Giambologna, one, very rare, of Nessus and Deianeira (estimate *£200,000* to £300,000), and an equestrian group by Pietro Tacca, modelled with the head of Peter the Great (£150,000 to £250,000). A rare (favourite auction house adjective) Byzantine bronze of a standing ram, 27cm high, is expected to realise £150,000 to £250,000, as is an even rarer 12th or 13th century German oak eagle lectern.

THE MONDAY PAGE

Where naivety is still in fashion

ANTHONY HARRIS
in Washington

WHEN HE IS in London, the Chancellor of the Exchequer likes to put his journalistic past pretty firmly behind him. In Washington last week, though, the mask slipped just a little when he held a press conference a few hours after the US February trade figures had come out.

He was asked: how had the reported harmony of the Group of Seven held up in the face of this terrible news?

Terrible? Mr Lawson was not much impressed. Add up the last three months, he remarked, compare it with the previous three months and the trend looked quite strong. This is the kind of off-the-cuff analysis most of us have made from time to time to sober up over-enthusiastic news editors. It does not actually stand up to close analysis. Mr Lawson had possibly forgotten that the US figures are not seasonally adjusted, so there is less to this comparison than meets the eye.

Indeed, so far as the three-month moving average means anything, it says that the US trade performance has been taking a breather. Mr Lawson's analysis was nevertheless treated by his audience as a point Einstein might have made on a good day. They thought he must have been treated by professional researchers to make so abstruse a comment.

The British delegation went home shaking its collective head over the naivety of the American economic press, as Fortune magazine does in its current issue. This is a great deal less than fair. The American economic reporters I have met are knowledgeable and hard-working. The whole system, especially the financial markets, tends to over-react to monthly figures. The professionals in the markets employ full-time economic staff to forecast the figures and analyse them when they come out.

In the face of all this expertise, it takes a great deal of self-confidence to write that the news which has just knocked the market average by more than 100 points is actually a non-event. In Britain, where everyone concerned had years of battle training in bad figures, the old Board of Trade still thought it necessary to brief the serious press for hours about each new set of figures in an attempt to prevent over-reaction. In Washington, the only help readily available is an official comment from the Commerce Secretary, which is treated with the suspicion due to any remark by a politician.

Failing official help, the reporters tend to question the brokers' economists, who nearly always say what you would expect them to say. "There's a lot of weakness out there," they will explain after a market fall; or, if bond prices are the bad news: "There's still a lot of inflation fear out there."

Whatever the motivation may be, it is always "out there". Anyone who had not met them might suppose that brokers' economists had no opinions of their own. In fact, they are no doubt responding defensively to snap questions. They will not venture a personal opinion until they have done some solid analysis. I suspect that the US business public would be much better informed if newspaper and television news editors trusted specialised reporters to analyse the news for themselves, instead of insisting on a quotation to support every statement of opinion.

The fact that all this excitement makes stock prices more volatile than they would otherwise be probably matters little to anyone outside the market. Heavy trading makes money for the professionals, so it would be naive to expect them to act as the guardians of public calm. Professional investors should know better than to respond to every little mood swing. What does matter is that over-excitement makes it difficult for business planners to take a calm long-term view; and concentration on the headline numbers prevents anyone from noticing the really interesting news buried in the detailed figures.

The jitteriness of business is shown by the fact that it seems to have taken nearly two years for the manufacturing sector, which is booming, to respond to the opportunity offered to its investment plans by dollar depreciation. Spending on new plant is at last rising comfortably faster than the economy is growing, but this response seems to have come too late to prevent a potentially nasty hitch in the US adjustment process.

This is evident from the last US trade and inflation figures (though not from the headline numbers). What these figures show is that both imports and prices are rising abnormally fast in those industries which are already working at the limits of their existing capacity – steel, chemicals and paper.

This in turn suggests that the Federal Reserve may be facing an unwelcome dilemma. Rising prices in some important industries, as well as rising dollar commodity prices, argue quite strongly for higher interest rates, in spite of the fact that consumer demand is still quite weak (apart from the car market) and house building, which is sensitive to interest rates, has only just begun to recover from a very nasty slump.

The Fed is much more pragmatic than it used to be in the early days of Mr Paul Volcker, and much less self-confident in its judgments. It likes to wait for research reports before taking decisions. All the same, it cannot for long ignore rising prices in key industrial commodities without risking the prestige it has won again under Mr Alan Greenspan's refreshingly explicit chairmanship. At the same time, it greatly needs political friends, more in Congress than in the White House, as long as Senator Proxmire's bill allowing the banks to spread their wings a little wider remains vulnerable to the populists on Capitol Hill. The populists love bankers about as much as farmers or Third World debtors do.

Jitters over Fed policy will no doubt produce more days on which the New York Stock Exchange's celebrated new circuit breakers are tripped, as they were last Thursday. Equally surely we will hear sage quotations from the insiders that the fears or hopes "out there" would have led to much bigger movements had arbitrage between the futures and the stock market not been interrupted. Post hoc, propter hoc seems to be the central creed.

I am unconvinced. It seems just as likely that the fear of circuit-breakers provokes heavier buying or selling in the futures markets, as Mr Greenspan, no less, has suggested. In any case, the damage done in the past by arbitrage was associated with portfolio insurance, which was not so much computer trading as a computerised stupidity – an attempt to hang on until just after the last moment, and then get out of a falling market with a whole skin. This kind of naivety is now deservedly out of fashion. It is a pity the same cannot be said of other kinds.

INTERVIEW

Growth is all important

Carla Rapoport talks to Shoichiro Toyoda, head of Japan's largest car company

SHOICHIRO TOYODA, 63, president and largest individual shareholder of Toyota Motor Corporation, is not a philosophical person. He is not inclined to reflect on issues like trade friction, the future of the motor car or his famous family. Ask him about Toyota's considerable exports to South Africa and his bland answer ducks the matter of apartheid completely.

This is not one of those profiles where the main character lounges in a chair and blows smoke rings. Mr Toyoda sits still and speaks almost without gesture.

The head of Japan's largest motor car company is a short man with the slightly bowed legs of someone who enjoys sitting on the floor. He has a kindly face but an unyielding manner. He does have dreams – the main one is for a bigger market for Toyota cars.

Mr Toyoda is the son of the founder of Toyota Motor and grandson of the founder of Toyoda Automatic Loom Works, which was set up in 1926. Unlike the jet-setting Fords, he has always stuck to serious pursuits. He interrupted his business career only once, while still a young man, to write a doctoral thesis on fuel injection. However, he did admit recently to two regrets: never learning to dance or ski.

Despite all the criticisms of Toyota over the years – excessive exports to the West, decades of resistance to imports and a sluggish approach towards overseas plant investment – Mr Toyoda does not speak from a defensive position. He remains confident, unflappable, replying in a positive way to almost every question.

Perhaps in this attitude, which comes across as entirely sincere, lies Toyota's continued corporate strength. "As you look at the world as a whole, you can see that three-quarters of the world's population has not yet enjoyed owning a vehicle. So those who are engaged in the auto business, if we work hard enough to develop attractive cars, then I'm sure that the demand for cars in the world can increase," he says.

The rest of the world sees Toyota as a Japanese giant. But from its home in Nagoya, Toyota just sees itself as third in the world league of carmakers – after General Motors and Ford. Its sales may be growing, but they are still half those of GM. Growth remains its primary goal.

For example, Toyota is designing cheap basic cars in Indonesia for the local market, a kind of Model T for the Third World. An Indonesian employee suggested that the carmaker reduce its price and boost sales by making doors optional on its best-selling model. For safety reasons, the idea was politely declined. But the mission to build a super-cheap car for developing countries continues.

This kind of dream may appear woolly to a foreigner, who cannot help noticing more than $10bn (£5.3m) in cash rolling around Toyota's balance sheet. If Toyota wanted to create a car for Third World markets, surely it could start buying up smaller competitors and/or building more plants in developing countries? But Toyota, according to its president, intends to create its vision slowly, bit by bit. Its huge cash balances, he says, will be funnelled into research and development (which will absorb more than $2bn this year), or remain in reserve for a rainy day. "We are not accustomed to the practice of acquisition. And in the first place, I don't think we are that rich anyway," he says with a laugh.

This leaden-footed approach to global expansion, however, has left Toyota at a disadvantage in Europe, one of its major markets. Faced with quotas in almost every country and no production facilities for cars, Toyota has been unable to satisfy European demand. "I was in Europe recently and I saw the dealers there working very hard and trying to expand their sales. But, at present, we cannot provide them with enough vehicles to sell. So, we are not providing a full service to our dealers. We must, some way or another, seek a solution to this problem, although belatedly, I must admit."

He says the company is interested in some kind of tie-up in Europe but has no definite plans. "There are so many things which are going on in my head," he says, referring to the many proposals for action. And the solution? "It's just a feeling in my head like a cloud and it hasn't formed anything yet.

"We are taking a cautious and careful attitude too, so I cannot say anything lightheartedly. But I do assure you that I am concerned and I am trying to find out what can be done because the fact is we cannot provide enough vehicles to the customers."

Toyota's commanding position in the large Japanese market, with nearly 50 per cent of all car sales, gives the company a kind of corporate arrogance when it comes to making a decision on other markets. Indeed, Mr Toyoda's dream of an ever-increasing car market serves him well when the topic of overcapacity or excessive Japanese exports crops up. All nine Japanese auto makers are building plants in North America, creating what some say will be a devastating glut of cars in two years' time.

Mr Toyoda strongly disagrees. All problems can be solved by hard work, he says. The word he applies is one which is used almost universally in Japan. It is *gambatte*: try your best, make your best efforts. "If the US makes efforts to provide attractive cars," he says, "then the US will be able to export its cars so as to meet the demands of the three-quarters of the population (without cars) living in the world.

"Thus, I am always saying as a auto company, we should collaborate and work hard together so there will be no loser. But, of course, if a company spares their efforts and does not try hard enough then there might be a situation where it will hit difficulties," he says.

His comments come almost as if there has been no trade friction between the US and Japan, or as if the issue of excessive car exports from Japan to the US and Europe has not been a hotly contested matter for years. "In the US, we have 1,100 dealers and all of them are American. It is our obligation to let these people do their business happily.

"So what we are doing is not to have Westerners feel we are exploiting them. As much as possible we are conducting our exports prudently."

As for the happiness of US dealers, it seemed only natural to ask about the Japanese dealer system. Unlike the US, where dealers often own a number of outlets selling different domestic or foreign cars, Japanese dealers traditionally sell only one brand. The idea of a Toyota dealer, say, opening a GM outlet in Japan has longed remained taboo. On this point, however, Mr Toyoda came back on the offensive.

"It is difficult to see one dealer carrying Cadillac cars and Toyotas at the same time. But the same owner may be able to establish another company to do it. That is what we are now seeing in Japan and we will see this trend increasing." Are you encouraging it? "We are not actually encouraging it, but we cannot stop it either. There aren't any rules prohibiting such a trend." In fact, Toyota executives later confirmed that only two or three Toyota dealers own separate outlets for selling foreign cars.

As BMW discovered, the best way to increase sales in Japan is to build up an independent dealership network. Most of Nissan's dealers, for example, are owned by the parent company. In Toyota's case, the dealers are independent but often borrow money from the parent company. And, as Mr Toyoda points out, Toyota does not encourage them to set up foreign car dealerships. Even if it did, it would be hard for the dealers to find sites.

What about an arrangement whereby Toyota would market foreign cars, say Volkswagens, through its dealerships?

"It is a fact that Japan is increasing her imports of European cars and there are some who ask us to handle or market their cars for them in Japan," he says.

"But we are taking a careful and cautious approach to this because we don't want to cause inconvenience to those dealers who are already here and selling foreign cars."

Mr Toyoda's dreams are not confined to the auto industry. He is also absorbed in Toyota's modest attempts to diversify. His pet project is Toyota Homes, which provides pre-fabricated homes throughout Japan. Sales are booming, not surprisingly. This year, the company expects to sell 2,200 residential units and 800 office units, a 36 per cent increase over last year.

"There are so many things we are thinking about in regard to diversification. We have already been engaged in the forklift business and are now number one in small-sized forklifts. Next is the housing business. It is only domestically, in Japan. But I must admit that the living conditions of Japanese people are quite constrained and quite inferior to their Western counterparts," he says.

Colleagues say Mr Toyoda's enthusiasm for the housing business is a company legend. Instead of asking for the latest car sales figures, the president quizzes employees on how many houses have been sold this month.

He is also fascinated by telecommunications. "The telecommunications and transportation businesses are quite similar when you come to think of it. One defect associated with vehicles at the moment is that once you get into the car, you are cut off from communication media. But if the telephone can be mounted in the car, you can enhance the appeal or attractiveness of the car. So we have invested in the telecom business and we hope we can use that business to offer better cars to our customers."

Although it sounds stilted in English, Mr Toyoda repeats the company slogan: "To build automobiles people everywhere will love."

But what about excessive exporting, export quotas, trade friction? Back comes the answer that perhaps best sums up the man and the company: "We always emphasise that people selling Toyota cars should be happy. We feel it is necessary to offer the lowest price and best quality cars. We also feel it is our obligation to manufacture cars which meet the demands of the users. These efforts have resulted in the situation we are facing now," he says with no trace of apology.

Building Toyotas is an honour. Buying them should be a pleasure. It is not surprising that Mr Toyoda has never learnt to dance or ski.

PERSONAL FILE

1925: Born on February 27.
1947: Graduated from Nagoya University with a degree in engineering.
1952: Entered Toyota Motor company.
1955: Went to Tohoku University to do doctoral thesis on fuel injection.
1961: Promoted to managing director of Toyota.
1967: Senior managing director.
1972: Executive vice president.
1981: President.
1982: Merger of Toyota Motor and Toyota Motor Sales.
1984: Received Medal with Blue Ribbon for outstanding public service through business.
1986: Elected chairman of the Japan Automobile Manufacturers Association.

Interpreting insider dealing

JUSTINIAN

THE ACQUITTAL at Southwark Crown Court, in London last week, of a former stockbroker on a charge of insider dealing would, if legally correct, drive a coach and horses through a modern piece of legislation designed to control the improper use of highly confidential information. Expert legal opinion, however, does not support the ruling of Judge Gerald Butler QC.

The judge concluded that the word "obtained" in the context of section 1 of the Companies Securities (insider dealing) Act 1985 involved an element of positive acquisition or active effort by the recipient of the information. In this case, the accused had taken no steps to procure or acquire the information. As a representative of a consortium of business associates, he had approached a then-ailing caravan manufacturing company with an offer to purchase its shares.

While his bid was being discussed, the company's chairman was making an alternative arrangement for the sale of the company. An employee of one of the financial advisers involved felt morally bound to advise the accused of this arrangement and, without consulting anyone, supplied him with the information. The accused had already contemplated buying the shares. Doubtless encouraged by the confidential price-sensitive information, he immediately bought 6,000 shares in the company and sold them the following month at a profit of £3,000.

Did it matter whether the insider came into possession of the price-sensitive information by effort or by gift? The answer lies in what Parliament intended in the language used in the 1985 statute. Section 1 of the act defines the offence as the use in personal dealings of "unpublished price-sensitive information" about a company by an individual connected with it, and in circumstances indicating that the information should not be used in that way.

It is not an ingredient of the offence to determine how the individual acquired the information. But the information has to be of a kind which the individual has "knowingly obtained (directly or indirectly) from another individual who is connected with a particular company." If the recipient of the information does not realise that he is in possession of confidential price-sensitive information, he nevertheless obtains it, but without that requisite knowledge for invoking the provisions of the 1985 Act. Why then, did Judge Butler come to a contrary conclusion? Imbued with the traditional approach to all penal laws, the judge gave the benefit of any doubt about the true construction of the legislation to the accused. But is there any doubt about what Parliament intended?

The criminal offence of insider dealing is a creature of modern statutory law. The activity prohibited by the statute offends the civilised standards of commercial morality, but it does not intrinsically attract the obloquy traditionally associated with the criminal law. The statute disavows any notion of dishonesty or deception. In this respect it is to be contrasted with the Theft Act's provision for an offence of obtaining pecuniary advantage by deception.

The fact is that public confidence in the integrity of the securities market calls for official reassurance. It can be as important to acknowledge officially public perception of what constitutes unacceptable commercial behaviour as it is to prohibit the behaviour itself. The key factor is the perceived prevalence of insider dealing, in which a happy few in the securities market can steal a march on the rest of us by virtue of a privileged position as recipients of price-sensitive and confidential information. Insider dealing represents a facet of the unacceptable face of capitalism.

Before the 1985 Act the common (ie non-statutory) law sought merely to discourage any person with inside information from speculating or intervening in the market, at least until full disclosure had been made. But the ambit of the law covered little more than a generalisation of the rules with which the City's code of practice regulated dealings in takeover situations. No legal liability flowed from a breach of the code.

The Jenkins Committee on Company Law in 1962 recommended a modest reform, whereby a company director who acquired in confidence information materially affecting the value of securities in his company should be made liable to compensate anybody who suffered from his action. All that the legislature did in 1967 by way of response was to tighten the rules for disclosure of all dealings by directors and their close relatives. No civil liability, let alone criminal responsibility, was considered necessary. Thoughts turned, however, to the question of establishing a civil remedy. But the difficulty of establishing and identifying loss in any particular case led the Government to turn to the criminal law to curb the activities of insider dealers, by the more satisfactory method of official and active law enforcement.

Given that background of hesitancy about the appropriateness of the criminal law as the means of prohibition, there is every reason why the courts should approach the construction of the 1985 Act in a liberal purposive manner, and not treat the offence as if it were indelibly marked out as a crime "for condign punishment."

What the law is essentially concerned with is what the insider does with the information, knowing that it is price-sensitive and confidential. Only a strict constructionist could feel that the use of the word "obtained" in connection with the receipt of the information was in the slightest way ambiguous, in circumstances where ambiguity must favour the individual in the dock.

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The PLO and Israel

THE ASSASSINATION on Saturday of Khalil al-Wazir, the effective military commander of the Palestine Liberation Organisation, was in a number of ways a back-handed compliment to him and the movement as a whole.

In the first place, the fact that the killing has unanimously been presumed – amid an official silence from Israel itself – to be the work of the Israeli external intelligence service, Mossad, speaks volumes about the extent to which the PLO has managed to put its chronic internal feuding behind it in the last year.

Secondly, if Israel was indeed behind the murder, it constitutes an admission from Jerusalem and Tel Aviv that the Palestinian uprising which has convulsed the Israeli-occupied West Bank and Gaza Strip for the last four months, and PLO actions in support of it, are perceived as a serious threat to Israeli control. Although the revolt is widely seen as having started spontaneously last December, al-Wazir – known by his nom de guerre, Abu Jihad – played a prominent role in the PLO's efforts to maintain its momentum.

Blunt stricture

As a result of this and of the support for the PLO which Palestinians are openly displaying in their protests against Israeli rule, Israel can less credibly claim that the organisation is essentially an irrelevance to efforts to resolve the problem of the occupied territories. The PLO – consistently portrayed by its enemies as an unalloyed terrorist organisation – is today to some extent justified in painting itself as a victim of terrorism.

In a sense, then, the PLO – which has been trying to present a moderate face to the world for at least the last 13 years – ought to be making considerable political capital out of recent events. Unfortunately, there is little evidence that it is actually doing so.

As events this weekend have demonstrated, the uprising is not going to go away, just as the Palestinians are unlikely to obey the blunt stricture of Mr Yitzhak Shamir, the Israeli Prime Minister, that they "keep quiet".

Attempts by the Israeli authorities to pacify the Palestinians are looking more brutal and inept than at any time since the uprising began, leading to increasingly harsh international criticism.

Yet the fact remains that the PLO has so far failed to translate world sympathy for the cause of those in the occupied territories into genuine political movement. It has continued to conduct terrorist operations in Israel proper. Structurally divided between the Palestinians of the occupied territories and those of the diaspora, it remains unable to present a coherent or relevant political position.

Largely for this reason, Mr Arafat – despite the fact that he long ago subscribed to a de facto acceptance of Israel by propounding the idea of a Palestinian mini-state – has been incapable of bringing himself unequivocally to recognise Israel's right to exist, a move which is a sine qua non for the dialogue he so badly needs to conduct with the US. His efforts to preserve unity at all costs – vindicated in the PLO's own terms at its Algiers meeting 12 months ago – remain a serious obstacle to meaningful negotiations.

The latest example of this obstructionism came two months ago, when Mr Arafat prevented moderate Palestinians from the territories from meeting Mr George Shultz, the US Secretary of State, during one of his shuttle missions to the Middle East (although two prominent Palestinian Americans were subsequently able to meet Mr Shultz in Washington).

Peace efforts

The PLO is undoubtedly correct in arguing that Mr Shultz's initiative takes insufficient account of Palestinians' legitimate rights. But refusing to have anything to do with it will not advance the cause by one inch, and will enable Mr Shamir to escape being portrayed as the principal obstacle to peace efforts when he is under unprecedented pressure.

The wilting poll tax

THE OUTCOME of today's House of Commons debate on the poll tax is, in one sense, an irrelevance. Government whips can influence the voting behaviour of Members of Parliament - and will probably succeed in putting down the rebellion led by Mr Michael Mates, the senior Tory back bencher. But they cannot rewrite the fundamental canons of good taxation. They cannot turn a flat rate community charge into a simple, fair or efficient form of taxation. The poll tax will never be the right solution to the complex problems of British local government finance. It will never, for this reason, be popular.

Mr Nicholas Ridley, Environment Secretary, appears to be gradually waking up to these realities. He used to argue defiantly that local taxes should not in principle be related to ability to pay. The residents in a block of flats pay the same service charge, ran the argument, and so should the residents in a local authority. Last week, however, he began to talk the language of his opponents. The poll tax was related to ability to pay, he insisted, because he had grafted on a complex set of rebates to lessen the burden on the very poor. The Government claimed credit for reducing the steepness of the tapers on the rebates and pointed out that an additional 1m taxpayers would gain assistance.

Poverty trap

That all this was put across with a straight face was really quite remarkable. Rebates and other ad hoc devices are legitimate sticking plaster remedies for the inequities and inefficiencies of bad old taxes. They provide a breathing space while governments devise new fairer levies that meet modern circumstances and needs. But it is bizarre to be claiming credit for applying sticking plaster to a new tax even before it reaches the statute book.

The Ridley concessions only underline the structural deficiencies of the community charge and the folly of imposing tax liabilities on people too poor to pay them. The Government rightly wants to pull people out of tax at the national level and improve work incentives. It makes no sense simultaneously to cling to a local finance reform that pulls more people, even those enmeshed in the welfare net, into taxation and worsen incentives and the poverty trap.

Equally perplexing is the way the Government emphasises that the poll tax will finance only about a quarter of local spending. Ministers stress that 50 per cent of resources will come from business tax, which, despite the Budget, still bears more heavily on the rich than the poor. The apparent unfairness of the community charge is thus somewhat mitigated. In effect, Mr Ridley is saying: "don't worry too much about the poll tax because it is not a very important source of local revenue." But what use is a reform that undermines accountability by greatly reducing local communities' ability to finance their own expenditure? A broadly-based and fair levy capable of raising a higher proportion of local spending was clearly required; yet Mr Ridley has delivered a narrow and divisive tax whose acceptability can be demonstrated only by emphasising how little it matters.

The most misleading ministerial claim, however, is that there is no alternative to the community charge. The absurdity of this claim needs spelling out. The Government is saying that there is no alternative to a form of taxation that has been ruled out by every other advanced industrial country for centuries. How can there be no alternative when everybody else does something different? Both British and international experience shows that local property taxes are perfectly feasible. Local income taxes are also a practical option: this must be so given the fact that some countries, such as Sweden, raise more in local income tax than they do in national income tax.

Register unease

Structural reforms of local government finance can occur only at extended intervals. It is crucial therefore that change is both logical and broadly supported. Mr Ridley's poll tax meets neither criteria even when encrusted with rebates for the poorest. MPs of should register their unease by voting in favour of Mr Mates' amendment, whether or not they support his particular proposals. Local communities deserve a better tax than the community charge.

Guy de Jonquières answers all the questions you were afraid to ask about the single European market

Q: EXACTLY what is supposed to happen in 1992?

A: That is when the European Community (EC) aims to create a single internal market. By then – actually by Jan 1 1993 – it hopes to have passed 300 directives intended to remove all physical, fiscal and technical barriers to trade in goods and services between its members. Some directives will take effect before 1992, but others may not do so until later.

Q: Surely there is already a Common Market?

A: Yes, but an incomplete one. EC countries abolished tariffs on each others' exports 20 years ago. Many other barriers remain. They include customs posts, differing technical standards, closed public procurement policies which confine bidding to local suppliers and varying tax, regulatory and legal systems. These are the sorts of obstacle the EC programme is supposed to attack.

Q: So after 1992 everything will be harmonised and regulated by bureaucrats in Brussels?

A: No. The Community has finally stopped trying to impose extensive harmonisation and adopted a different approach. The idea now is to harmonise only the basic minimum, such as safety standards for products and prudential rules for banks. In all other respects, EC countries would have to recognise each others' standards, rules and regulations as equivalent to their own and allow companies to compete as freely throughout the Community as at home.

The hope is that regulatory barriers will crumble away as competition develops and countries with restrictive rules discover they are handicapping their own industries against rivals elsewhere. Apart from competition and merger policy, where the European Commission is seeking a bigger role, there are no plans to centralise regulation in Brussels.

Q: That all sounds fine in theory, but will it really work?

A: The EC legislative programme offers only a broad framework and leaves many grey areas. Some proposals can be interpreted in many ways and it is unclear how they will be applied in practice. So lawyers, consultants and the courts could be kept busy well after 1992 making sense of it all.

In certain areas, notably financial services, where the issues are exceptionally complex and considerable differences remain between countries, governments may be unwilling to accept liberalisation unless it is preceded by more extensive harmonisation than Brussels proposes. That could delay the timetable and might limit the scope of cross-frontier competition.

Beyond that, of course, it remains to be seen whether governments and companies observe the rules once they are agreed. Some people believe governments may even react to the prospect of a single market by becoming more nationalistic and by trying to shelter their economies.

Q: Is the 1992 deadline much too ambitious?

A: So far, only about 70 of the 300 planned directives have been approved by the EC Council of Ministers, which the Commission says is disappointing.

On the positive side, the EC has avoided a damaging political fight over its budget and agricultural spending. It has also simplified its decision-making. Since last year, many proposals need the approval of only a qualified majority of the Council, instead of a unanimous vote. That makes it harder for just one or two countries to block decisions.

There is also growing economic and industrial pressure on the EC to dismantle its internal barriers. Developed economies everywhere are becoming more interdependent, capital is increasingly mobile and many industries are being forced to look to larger markets to survive. Within Europe, industrial integration is being accelerated by a surge of cross-frontier mergers and takeovers. Companies are also starting to talk about planning for 1992 as if they think something will really happen.

Against that, most of the toughest policy issues, such as tax and public procurement, have yet to be tackled in earnest in Brussels. Many bear directly on national sovereignty and remain subject to a unanimous vote by the Council. It is also unclear whether governments have yet realised how much policy autonomy they would have to surrender to achieve true economic integration and whether they will be ready to make the necessary concessions.

Q: Why is the European Commission so keen to harmonise value-added tax (VAT) and excise taxes?

A: It argues that, in a single market, widely differing indirect taxes would artificially distort trade. It wants countries to impose VAT and excise taxes on a uniform basis and to align their tax rates within two bands.

Q: Is that really necessary?

A: Economists are divided and many governments strongly oppose it. Britain has protested most loudly, although it would have to make only minor adjustments. It would be required to levy VAT on some zero-rated items like books and baby clothes, but the overall economic impact would be minimal and the Exchequer would gain.

Denmark and Ireland have much more reason to be alarmed. They would have to cut their very high indirect tax rates and would face a huge revenue loss. French authorities, by contrast, say they agree with the Commission's arguments but believe its proposals don't go far enough.

The main reason the Commission is so insistent is probably concern that governments will try to maintain different indirect taxes by keeping customs posts in place after 1992. That could torpedo hopes of a "Europe without frontiers."

Q: Will there be more brands of goods on the shelves after 1992?

A: Countries could no longer use regulatory barriers to keep out exports from other parts of the EC. But national tastes differ – for scent and confectionery, for instance – so sales of some products may remain regional. However, if the single market removes frontier controls and encourages deregulation, bigger scale economies and more competition, as its backers hope, the efficiency gains should benefit the consumer.

There should also be much more variety in financial services such as banking, insurance and unit trusts. At present, these can only be supplied in most EC countries if they conform to local regulations and supervision, which are often highly restrictive. The idea is that, after 1992, financial services should compete freely throughout the EC. That should bring wider choice and lower charges.

Q: So the City of London should benefit?

A: In theory, yes, since London is Europe's biggest and most sophisticated financial centre. But there may be more competition from continental centres, such as Paris, as they modernise and liberalise. The Stock Exchange is starting to worry that the burden of UK regulation could be a competitive handicap and wants other countries to harmonise around British rules.

The UK is also a fairly open market and many European competitors are gearing up to attack it. But even if legal barriers fall, it may still be hard to penetrate many other EC markets, such as West Germany, because sales and distribution channels there are limited or closed to outsiders. The only way in may be through acquisition. However, until recently Europe has ranked low, compared to New York and Tokyo, in most UK institutions' international expansion priorities.

Q: Will scheduled airline fares get cheaper?

A: Much will depend on whether European governments can agree to introduce more competition or whether the EC Commission takes legal action to force them to. So far, efforts to negotiate agreement have made disappointingly little progress and it is uncertain whether there will be any movement by 1992.

Some charter airlines and airports which earn large revenues from selling duty-free goods could face a problem after 1992, since the planned abolition of customs posts would mean an end to duty-free sales on trips inside the Community.

Q: Many people say the French know more than anyone about 1992. Does that mean they will do best out of a single market?

A : Opinion polls show a high level of awareness of 1992 in France. This is largely because of a massive publicity and information campaign by the French Government, which wants French industry to restructure and become internationally more competitive.

That does not necessarily mean French business has a head start. Indeed, the Government is making so much of 1992 precisely because it is worried that French industry has been too inward looking and slow to adjust to changes in export markets. Some in France want external barriers around the single market, suggesting doubts about their industries' ability to compete.

Q: Will we just be opening the doors to US and Japanese industrial domination?

A: That is obviously a risk. Though the US and Japan are showing growing interest in the 1992 plan, their industries still seem uncertain whether it is an opportunity or a threat. If it really looks like creating stronger demand, they will obviously want to participate.

It is doubtful, though, that systematically protecting the EC's market would make its industries any stronger. Some of them are weak today because they have been over-protected in the past. US and Japanese industry can in any case always set up local factories. American companies, such as Ford and IBM, already make locally most of what they sell in Europe and – more than many of their local competitors – they treat the EC as one market. Japanese manufacturers have so far been slower to invest in European facilities, but that may change.

Q: Will Europe have a common currency after 1992?

A: That is not explicitly part of the plan and the practical and political obstacles remain formidable. However, many economists believe progress towards a single market will require much closer policy co-ordination and a reduction of national autonomy in monetary affairs. The European Currency Unit (Ecu) may also be more widely used as a unit of account.

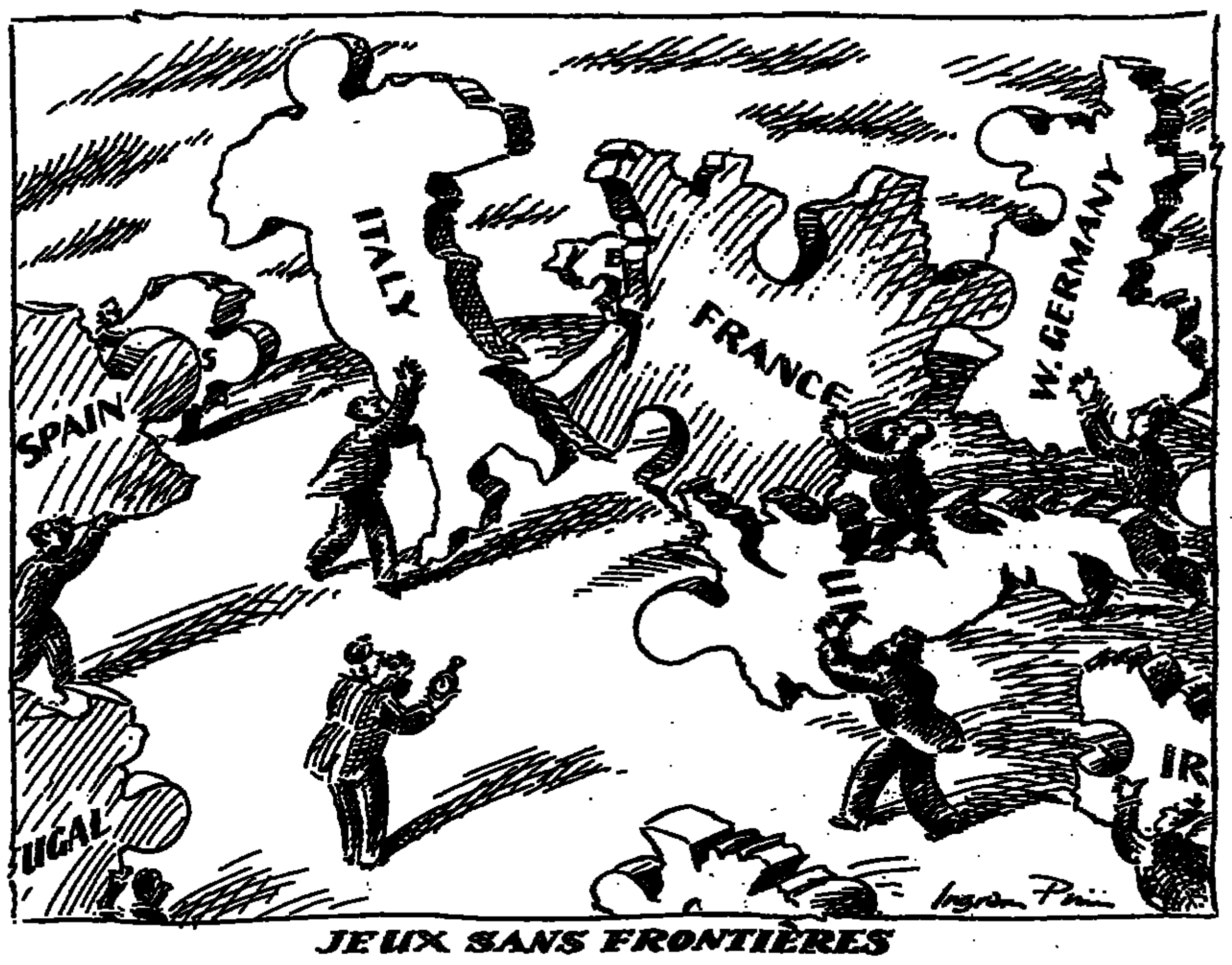
The single market plan calls for the removal of remaining exchange controls and freedom of trade in financial services. If big differences persist between countries' interest rates – and perhaps also tax systems – they could trigger speculative capital flows which would increase pressure on exchange rates. Some countries, such as France, want to strengthen the mechanisms of the European Monetary System. Many would also like Britain to become a full member.

Q: Will a single market bring faster economic growth?

A: The Commission claims, on the basis of recent studies, that creating a single market could add Ecu 200bn (£134bn), or 5 per cent, to the EC's gross domestic product. However, that estimate is based largely on the costs saved by removing the barriers. Nobody knows whether businesses and markets would also be encouraged to behave more dynamically.

In any case, a unified market on its own is probably not enough to guarantee fast growth. The Soviet Union has a vast home market, yet its economic performance is dismal. Much will depend on the type of macro-economic policies the Community follows and on the role of competition policy and other measures which affect the structure and efficiency of European economies.

The future of the single market plan is also likely to be influenced by the economic climate in the next few years. Progress could grind to a halt if there were a deep recession in Europe or severe instability in the financial markets, causing governments and businesses to be more cautious. It is always harder to make concessions and painful adjustments when things are going badly.



JEUX SANS FRONTIÈRES

1992 and all that

OBSERVER

A marathon too far

When 25,000 people take to the road in running gear on a Sunday morning in London it is difficult to overlook, particularly when they are embarking on the 26.2 miles of the London Marathon.

The 26 miles is bad enough but the last fifth of a mile, particularly when it includes Westminster Bridge, is guaranteed to ensure that Pheidippides loses his popularity somewhat. The run from Marathon to Athens killed Pheidippides in 490 BC and there were some pretty unhealthy sights on the route from Greenwich to County Hall yesterday, although most scorned the help of the St John Ambulance Brigade at the end and preferred to suffer inside their silver plastic sheet.

The humidity took its toll of the fancy dress entrants. By the last three miles the gorilla and cockerel were well back but the headless ghost was going strong and the groom was still carrying his effigy bride on his shoulders.

The sillier outfits were so far towards the rear of the field that it was encouraging to see a clown with the serious runners – the man with the green face and hair, not far outside 2hr 30min, is to be applauded.

In Jubilee Gardens, where the competitors meet their families afterwards, there are 26 plane trees, a convenient number for assembly points using letters of the alphabet. The smart runners use Z. On some letter-cards, scribbled messages from previous years paint a sorry picture of the ghosts of marathons past: "Waited until 4.30pm and went home," said one; "John Walsh, we have gone to the pub," said another.

Berlin blues

The international monetary community was feeling distinctly morning-afterish as ministers flew back from last week's meeting of the IMF interim committee. This has nothing to do with the meeting itself, in spite of the fairly awful US trade figures which rounded it off. It is simply because the next one is in Berlin.

These migrations have happened at every other annual meeting of the IMF since it was founded. The practice is supposed to show that the IMF and the World Bank headquarters in Washington is for convenience and has no political significance.

The convention is beginning to look an expensive way of proclaiming what nobody believes. The US is the biggest contributor to both institutions and neither would dream of doing anything Washington barred, even if the annual meetings were held on Mars.

Moving the show to Berlin is expensive and inconvenient. The commercial bankers, who attend in enormous numbers, will all be billeted in East Berlin, at something near $300 a night.

The official part on the capitalist side of the Wall will be scattered over the city and participants will face a bus ride to the remote conference headquarters. Those who miss the bus will hope to avoid the Toronto experience, when taxi drivers imported for the occasion often got completely lost. Two years after Berlin they can look forward to Bangkok.

It is not just a sign of the new puritanism that there is now an active official lobby inside the IMF to hold all the meetings in the city that might have been designed for them – Washington.

The cabin which provided a view of the site was taken down for King Olav's visit and it may not, it seems, be re-erected until the archeologists move on to the third stage of the dig when Portland House is demolished.

This last stage will reveal the perimeter wall of the amphitheatre and, who knows, may be hiding the elusive clue that will allow historians to establish for certain whether gladiators ever fought in Britain.

The dig – about to go under Guildhall yard in its second stage – has been woefully short on bits so far. No belt buckles, sword hilts, brooches or old sandals; just a few coins which have, however, led to the belief that the structure was built between 70 and 140 AD and that something survived there until the late fourth century.

The discovery of the timbers of an earlier amphitheatre will, through the science of dendrochronology (study of tree rings), give the date of their felling to within 10 years. Ring patterns are repeated in trees of the same era and the already possessed knowledge of patterns in that period should make dating quite straightforward.

Et tu Olav

The King of Norway may have deprived the City of its last peep of the Roman amphitheatre remains for some time. They are to be covered this week and may only be revealed again for final photographs unless the Department of the Environment allows, as expected, some scheme to display the findings under the proposed art gallery development next to Guildhall.

Good old Sextius

Dating the Guildhall remains will be a valuable addition to the picture of the rise and fall of Londinium, but it will not make life easier for the Environment Department which has had its bellyfull of Roman remains recently.

Not only are there new amphitheatre site workings at Wroxeter in Shropshire, and Frilford in Oxfordshire, there is also the Chester amphitheatre which has been causing some controversy because of development proposals that would necessitate the demolition of a Georgian listed building.

Developer Tony Barbet is not too impressed with the London amphitheatre. "It doesn't look much like one to me," he says, but he is impressed with his own site as a tourist attraction similar to that of the Jorvik Viking site in York.

He even has a hero to rival Eric Bloodaxe at York. He is Sextius Marcianus, a centurion who erected a shrine to the goddess Nemesis on the site around 190 AD.

Barbet wants to reconstruct part of the arena for shows and displays of square bashing by the Ermine Street Guard, a re-enactment society based on the 20th Legion. A public inquiry into his plans was held last November and Barbet is still awaiting its findings.

The London amphitheatre diggers, meanwhile, are to take a breather after working flat out since the discovery was confirmed. Nick Bateman, in charge of the site, explained that the pressure was of their own making since the team had a further 15 sites to investigate in London and only a limited time to get through them.

Good excuse

A country vicar demanded of an aged parishioner: "How is it that I haven't seen you at church lately?" After profound thought, the aged villager replied: "I ain't been."

A Modest Proposal for Ending the Bear Market

By David Hale

IT IS TIME for the Reagan Administration to consider a territorial solution to America's problems of budget deficits, stock market volatility and growing public alarm about a foreign takeover of the US economy.

In the Middle Ages, it was not uncommon for financially distressed princes to swap parcels of their kingdoms for cash. In the 18th and 19th centuries, many American Indian chiefs tried to keep their braves in "firewater" by selling land rights to English settlers pushing westwards.

Now the US has reached a historical watershed in which real estate could again become an instrument of economic diplomacy. Ronald Reagan should attempt to secure a place in history as the first President to deliver a three-term consumption boom by auctioning off a chunk of American territory large enough to finance another trillion (million million) dollars of budget deficits and trade deficits.

With the dollar in unrelenting decline, Wall Street could probably finance the trade deficit by selling hundreds of US companies to foreign bargain hunters, but the American people are reluctant to entrust such an important national responsibility to investment bankers.

The October stock market crash has reduced the public's confidence that Wall Street will sell the nation's assets at a price high enough to sustain current levels of consumption through the 1990s. As more US companies go on the auction block, the man in the street is also starting to wonder whether he really wants his next boss speaking to him in German, Japanese or Australian.

Treasury Secretary James Baker long ago recognised the dangers of relying on private intermediaries to finance the country's big external deficits. During the past year he has taken out balance of payments insurance by persuading foreign central banks to suppress an upsurge of American interest rates by purchasing nearly $200bn of US securities.

But even Mr Baker's strategy of turning foreign central banks into *de facto* Republican political action committees carries risks. There is growing criticism in the Japanese and Taiwanese parliaments of the high cost of supporting the American dollar. While no one is yet calling George Bush the Manchurian candidate of 1988, the media could label him thus by arguing that Asian central banks have been propping up the US economy with large doses of financial valium to prevent the election of a Democratic candidate preaching economic nationalism.

As such accusations could compel the Federal Election Commission to restrict the size of future central bank contributions to the Republican cause, it is essential that the White House obtain permanent financing for the country's external deficits by negotiating a real estate deal with Japan large enough to make even Mr Donald Trump envious.

What real estate should the White House sell? The American people would never permit a foreign creditor to take possession of territory on the North American mainland, so Mr Reagan will probably have to sell the Japanese an island. As Mr Bush will need a lot of cash to honour his pledge never to raise taxes, only two islands could bring a price high enough to make it credible – Hawaii or Manhattan. If offered a choice, the Japanese would dearly love to buy Hawaii. It would be in the national interest, however, for the White House to offer them Manhattan because it would be worth far more to the US economy under Japanese control than under its current management.

First, the price would be high. Hawaii's gross state product is $16bn compared to a gross island product of more than $30bn for Manhattan. On an American price/earnings ratio of 10, Hawaii would fetch a price of $160bn or 12 months of trade deficits, while Manhattan would fetch $300bn.

The price differential would be even more compelling if the transfer of sovereignty permitted the US government to sell Manhattan at Japanese p/e ratios rather than American ones. At current Tokyo p/e multiples, Manhattan would fetch a price of nearly $2 trillion, or most of the increase in the national debt under 12 years of a Reagan-Bush Administration. Hawaii would barely fetch $1 trillion, or merely the national debt which was accumulated during the 200 years before Mr Reagan's arrival at the White House.

Second, and more important, the sale of Manhattan would bring the New York Stock Exchange under the official protection of the Japanese Ministry of Finance. As was vividly demonstrated during last October's global stock market crash, Japanese bureaucrats are far more competent at managing a stock market than their American counterparts.

American regulators think they have done a good day's work if the New York market functions efficiently and honestly. But Japanese bureaucrats also want investors to make money. They pursue a mixture of policies blending Confucianism and capitalism designed to keep Tokyo share prices in a perpetual bull market. Capital gains are tax free for retail investors. Short selling is illegal. The supply of new stock is restricted. Four brokers control 60 per cent of Tokyo's trading volume. Two thirds of all Japanese equity is tied up in corporate cross shareholdings. And, if institutions have unexpected trading losses, the Government is flexible about its accounting rules to permit them to hide the bad news.

As the ridiculous over-valuation of Nippon Telephone and Telegraph shares testifies, Japan's co-operative system of stock market management is a self-fulfilling parody of Western rational expectations theory: investors bid up the shares of politically favoured sectors because they believe other investors will purchase them in expectation of the Government using moral suasion to ensure they go up.

How would a Japanese takeover bid affect Manhattan's way of life? As part of Greater Nippon, Manhattan's food supplies would come under the control of the Japanese Ministry of Agriculture. If they chose to run it the same way they manage Japan's, the island would have to become self-sufficient in the production of beef, rice and oranges. As with Tokyo itself, a large chunk of Manhattan would have to be returned to agricultural use, causing apartments to shrink in size and sky-rocket in price.

Many Wall Streeters would also object to the creation of a financial system emphasising teamwork and the revival of troubled companies in place of one which gives large reward to egotistical financiers for ripping firms apart. It would take time as well for Manhattan trend-setters in economic thought to discard their Adam Smith neckties and replace them with ones bearing pictures of Confucius.

But these lifestyle adjustments would ultimately seem trivial compared to the economic benefits. Most Wall Street brokerage houses would offer lifetime employment. Yen-rich Manhattanites would be able to go to the North American continent for cheap vacations every weekend. On the golf courses of New Jersey and Connecticut, the term "yuppie" would mean "yen-zone urban professional".

There is no theoretical reason why the New York stock market could not recover without turning Wall Street over to Japanese bureaucrats. But it would be difficult, because the American economic policy establishment is dominated by University of Chicago ideologues who remain wedded to atavistic Anglo-Saxon theories about the beneficence of free markets. The best hope for encouraging a quick revival in American share prices is therefore a joint venture in stock market levitation comparable to those which many US companies have employed to gain a better understanding of Japanese manufacturing techniques.

Just as Hong Kong and China have set a precedent in political relations by introducing the concept of "one nation, two economic systems," so the US and Japan could break new ground in economic co-operation by promoting the concept of "two nations, one stock market."

In 1988, the American people will have to make a historic choice between fiscal austerity and selling another trillion dollars of national assets to foreign bargain hunters. As in most economic controversies, price could make an important difference to the outcome. It is time to get America out of the bargain basement, restore the people's faith in deficit finance and eliminate populist fears of foreign bogeymen by raising the flag of the world's greatest creditor power over lower Manhattan and continuing the sale of America at Japanese price/earnings multiples.

The author is chief economist at Kemper Financial Services in Chicago.

Roderick Oram profiles the man called in to rescue First RepublicBank of Dallas

Casey leads the cavalry charge

IT IS HARD to tell that Albert Casey has only been a Texan for the past 10 or so of his 68 years. Like many immigrants to the Lone Star state, he has just as much of the effusive good ol' boy style as the native born.

He has taken on the job of steering First RepublicBank of Dallas through what could be the biggest bank rescue in US history.

Moments after the bank forecast a first quarter loss of $1.5bn, a US record for domestic bank operations, he bounced up to the podium at First Republic's headquarters to introduce himself to a local press contingent stunned by the huge scale of the state's real estate losses.

The first quarter loss has been caused by a $1.5bn addition to reserves, almost all for bad real estate loans. While economic trends are showing some improvement, no one knows the true value of financial institutions' huge portfolios of foreclosed properties. First Republic has at least built in a wide margin for error with a provision three times larger than analysts had expected.

These uncertainties were not in evidence at the press conference. Sounding as though he had not a care in the world, Mr Casey told the press: "For goodness sake, get a few smiles going. I never saw such a gloomy group. This is all good news."

Texas, he said – standing in front of a mural of a scene from pioneer days – had the three ingredients needed to bring its financial sector back from the brink of ruin: "Land, people and water . . . We've got the kind of people and the spirit that is going to lift this group up."

Skirting questions about the fourth ingredient – federal government aid which could run to billions of dollars – he said it would be some time before a recovery plan would be drawn up.

With no details to feed the hungry questioners, he tried to quip lightly through the rest of the press conference. Are you an interim chief executive? "At my age you're interim anyway."

Within moments he was playing over rows of empty chairs to the television cameras at the back of the room. The journalists were mobbing instead a senior bank regulator, Mr Robert Clarke, Comptroller of the Currency. He had come down from Washington determined to install a new chairman and chief executive at First Republic.

As it happened, the incumbent, Mr Gerald Fronterhouse, 51, jumped before he was pushed. As chairman for less than two years, he was the architect of last year's disastrous takeover by Republic of Inter-First, its equally troubled cross-town rival. Economies from the merger were supposed to allow First Republic to earn its way out of the deep hole, but a further steep deterioration in the real estate market drove the bank into the arms of federal regulators last month.

Mr Clarke, himself a Texan but of the quietly spoken, dry academic type, patiently answered questions for a few moments before he realised he had inadvertently stranded his chosen new chairman at the podium. He politely broke off and joined Mr Casey at the microphone.

But it was still Mr Clarke who drew the attention, although he took every opportunity to turn the spotlight back to Mr Casey. Government rescuers "don't run banks. Management of banks and directors of banks run banks."

Mr Casey readily admitted that he knew banks better from the outside. "I've been a borrower many times." Had he any experience as a banking executive? "Oh, I would say none particularly." This may have been over modest as he was a director of RepublicBank from 1979 to 1981.

His selection has, however, an encouraging precedent in John Swearingen who took over Continental Illinois during its federal bail-out in 1984. A forceful personality and stature as the retired chairman of a leading local company, Standard Oil of Indiana, were his main qualifications for reviving the Chicago bank.

When Mr Casey moved his company, American Airlines, to Dallas from New York in 1978, he was quickly embraced by the local business elite. In the seven years before his retirement, American expanded rapidly, creating tens of thousands of jobs and helping to make a success of Dallas-Fort Worth airport.

American adapted more successfully than any other big airline to deregulation. It was a far cry from the company he had joined as chief executive in 1974. Reeling from losses, American's morale had been shattered by a bribery scandal involving its previous management.

A hard-driving, avid poker player who has suffered four heart attacks, Mr Casey is considered a "people" man who brilliantly motivates his employees. Boston born and Harvard educated, he worked in railway and newspaper companies before joining American Airlines. After his 1985 retirement he served as an interim US Postmaster General. His government service was spoilt, however, by questions arising from the award of a large order of postal sorting equipment to a company in the Dallas area.

Mr Casey will be well supported in his new endeavour by some old Dallas friends, who are joining him on the executive committee of First Republic's board, another move orchestrated by Mr Clarke.

They include James Chambers, chairman of the Dallas Times Herald, Robert Crandall, chairman of AMR, parent of American Airlines, and Mr Mark Shepherd, retired chairman of Texas Instruments.

There is not a banker among them, but Mr Clarke, a real Texan who knows about running banks, will be only a phone call away.

Letters to the Editor

The case for the Crown

From Sir Charles Villiers

Sir, John Lloyd's article (Lombard, April 14) contains some good history, but some faulty current analysis. Prince Charles is not "seen as the figurehead of the alternative which the Prime Minister has said does not exist." Nor is Prince Charles on a "royal version of a Youth Training Scheme"; he is far beyond that.

For the past ten years he has been visiting, among many other of his interests, managed workshops, inner cities and enterprise agencies in the areas of high unemployment and deprivation.

To start with he was learning, now he is encouraging and steering natural energy, enterprise and action to benefit people, above all young people, who are disadvantaged or unemployed.

One day he must expect to be King; not, I am sure, like the young Richard II (I will be your leader), nor like any other British sovereign. He will not then have the time for his present exhausting schedule.

At what precise level he will reconcile his "efficient" with his "dignified" function is unforeseeable.

It would, however, be totally misreading his character to assume that he would abandon his present interests and mount what John Lloyd calls a "pyramid whose snobbery, jobbery and frippery is the envy of the idle rich." More likely he would continue to stir and stimulate the intelligence of us all.

Charles Villiers,
65 Eaton Square,
London SW1

Not an uplifting experience

From Mr R. J. B. Rossborough

Sir, Your interesting article on Gatwick and Victoria (Survey, March 22) brings to mind two baffling obstacles on this journey.

At Gatwick, why are we obliged to hand over our luggage to porters for the one-minute trip down the short escalator to the train?

The expensive new lift could take trolleys to the station platform, as in Geneva, but it stands idle. Why was it built?

At Victoria, why are taxis no longer allowed to pull up to the station pavement where trolleys can be taken to them, as they were for years?

Most people's luggage cannot easily be carried by hand across the traffic to the island, where half the taxis arrive on the wrong side anyway. These annoyances do not make a favourable impression on arriving travellers.

R. J. B. Rossborough,
26 Avenue Krieg,
1208 Geneva,
Switzerland

A safe haven for nuclear waste?

From Mr Norman Worley

Sir, The plans for decommissioning nuclear power stations after their useful generating life is over remain uncertain with the proposed privatisation of the electricity industry. However, over the next 10-15 years, most of the "Magnox" reactors will no longer be generating power.

The pressure systems of these reactors seem to have considerable advantages as possible repositories of medium- and, perhaps, highly active waste. Shielding and containment have been proved to be effective over many years of safe operation and these reactors have full facilities for installing and, if necessary, removing waste canned in sealed vessels using shielded machines. They also have facilities for filling the pressure system with an inert gas (for example, nitrogen) which could, ideally, be at lower pressure than atmospheric, monitoring radiation levels, both in the plant and its surroundings.

Often, the plants also have "ponds", at present employed for storage of irradiated fuel. These could, again, be used for storing medium activity waste safely.

Whether these reactor plants are adequate in capacity for such a purpose is not clear but they do appear to present potentially acceptable storage facilities.

Norman Worley,
Deputy Chairman,
Watt Committee on Energy,
Savoy Hill House,
London WC2

The pitfalls of targeting

From Ms Josephine Hayes

Sir, Your editorial ("The pitfalls of targeting" April 13) was a perceptive discussion of the drawbacks of targeting social security benefits.

However, it understated the unavoidable conclusion that no realistic alternative exists because adequate universal benefits cannot be funded. It also exaggerated the problem of means-testing (more neutrally called income-relation) of benefits.

The editorial failed to identify the main point of integrating the tax and benefits systems, which is to render take-up of benefits automatic so that such terms as "stigma" and "prying" are no more apposite to the process of assessment for benefits than they are to that of assessment for tax. For there is no rational distinction between the two parts of the process by which government takes from the better-off so as to give to the poor.

It was primarily for this reason – not as a purported solution to the disincentive effect of withdrawing benefits as income rises – that the former SDP-Liberal Alliance working party on taxation and benefits, of which I was secretary, favoured integration.

Nothing can eliminate the disincentive effect of withdrawing benefits as income rises. The most that integration can do is make it easier to eliminate the worst effects and anomalies within the system, though that would be a significant improvement.

But if, as your editorial accepts, targeting is inevitable, the only questions are how generous benefits should be and how steep withdrawal rates should be.

The Government is too interested in cutting costs. The real objection to the latest reforms is not that they are targeted but that not enough money is being spent on them.

The poor are not the right place to make savings.

Josephine Hayes,
3 New Square,
Lincoln's Inn,
London WC2

From Mr E. Whiting

Sir, May I add a little to your leader, "The pitfalls of targeting" (April 13).

The £6,000 capital limit can be avoided by any well-educated or enterprising person. The "capital" can be put into a trust, into a Swiss Bank, be given over to relatives (and given back when needed), used to buy a car, or hidden under the floor or in a locked box where no questions are asked.

Those with unit trusts and shares can keep their total low; some may use nominee shares. Many ways are known to disguise the true owner.

But the elderly widow or solitary person with little help may find that the capital limit has been broken, perhaps years after, and there will be an impossible bill to pay.

If only the matter were given some thought in good time, the "capital" could be kept below the dreadful limit.

"Targeting" to my mind is totally irrelevant in this case. There can be no target of a number of people who have gone over the £6,000 capital and there can be no target for those who avoid the limit.

Edwin Whiting,
Greyback,
2 Spring Vale Road,
Hayfield,
Stockport

VAT clawback has its drawbacks for non-residents

From Mr C. Earnshaw

Sir, I am writing to complain about the very inadequate organisation and management of the "Retail Export Scheme," whereby those not resident in the UK may claim back VAT on purchases made in the UK.

Once a year I visit the UK and may spend several thousand pounds on shopping, but I have yet to get the full amount of VAT which I claim and to which I am entitled. First, very few shops give a copy of the claim form or any way to trace the claim; many "get lost" in the post – though I wonder if the funds are not getting diverted somewhere en route.

Second, when one has a lot of purchases and Heathrow is crowded, the customs officers often refuse to look at all the purchases and therefore will not stamp the forms. In Japan, for example, it costs the equivalent of £25 for each form to be certified, which is the equivalent of over £200 of purchases per form just to break even.

On top of all that there is the shop's "administration charge", an arbitrary sum, ranging from nothing to £10. Lastly, there is a three month time period in which to make a claim. Often the forms get sent to and fro thanks to some clerical error and the time limit is passed.

This futile bureaucratic exercise should be changed; it is time and money consuming and an insult to those who patronise British stores. It is also not in the spirit in which the Retail Export Scheme was conceived.

Customs and Excise should study the way it is done in other countries, for example, in Finland, where the visitor receives the cash at the airport.

After spending a lot of money on good quality and good value shopping, it is a shame that this experience always leaves a bitter taste.

Chris Earnshaw,
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FINANCIAL TIMES
Monday April 18 1988

Philip Stephens finds that finance ministers are just as nervous as last week's markets

Foreboding beneath the IMF relief

SIGHS OF relief echoed around the Washington headquarters of the International Monetary Fund on Friday as central banks managed to restore an uneasy calm to financial markets. Just below the surface it was not difficult to detect an equal sense of foreboding.

Confident assertions that the leading industrial nations had underlined the strength of their co-operation by again supporting the dollar barely masked concern over how long the markets will be impressed. Behind the bravado, finance ministers and central bankers of the Group of Seven are just as nervous as the markets.

In the short term, the central banks, including the US Federal Reserve, seem ready to maintain a high profile to counter any renewed slide in the dollar's value and to reassure nervous investors on Wall Street.

Tactics may dictate that they do not intervene every time the US currency dips, but senior officials insist that they understand that the credibility of their latest commitment to strengthened cooperation cannot be thrown away lightly.

Six months on from October's stock markets' crash, the banks need to dispel images of 1929 and 1930 when a further slump in equity prices six months after the initial fall heralded the onset of the Great Depression.

Governments have some reason for confidence that Thursday's 100-point fall on Wall Street in response to the publication of worse-than-expected US trade figures does not signal that the pattern of 1930 is about to be repeated. Monetary policies have been loosened not tightened and there is no sign yet of a lurch into protectionism.

Most economists also share the official view that the rise in the US trade deficit to $13.8bn in February was probably an aberration. There is no reason to believe that the underlying improvement seen in the country's trade position over the past few months is about to be reversed.

From another perspective, however, the February figure should not have been surprising. It underlined the fact that the erosion of the huge US deficit and the parallel surpluses in Japan, West Germany will be a long and painful process.

The IMF's latest short-term forecasts suggest that an earlier rapid improvement in the US figures equally had overstated the pace of adjustment. The rise in the deficit in February simply cancelled that out.

The Fund's estimate of a $140bn current account deficit in 1988 and a $130bn shortfall in 1989 suggest only a small and gradual improvement in the monthly figures in coming months.

There is little doubt of the consensus among the G-7 that their individual as well as mutual interests coincide in maintaining calm on the markets as the process edges along.

With November's Presidential election looming, the premium on stability in Washington grows by the day. US Treasury officials who in the past had little hesitation in launching fierce attacks on Japan and West Germany have gone out of their way to praise the efforts of the Tokyo and Bonn governments to stimulate their economies.

The US seems to have realised that a further significant fall in the value of the dollar now presents as many risks as opportunities. The precise interaction of foreign exchange and stock markets is far from self-evident, but a further dollar fall would carry a risk of forcing interest rates higher and sending share prices tumbling.

Neither Washington nor its partners, however, can be confident that financial markets will be willing to share their patience while further substantive policy shifts – above all cuts in the US Budget deficit – are put on hold until after the election.

The IMF projections indicate that on current trends the improvement in the US trade position will grind to a halt some time in 1989. Forecasts that by 1992 the US may owe around $1,000bn to its overseas creditors do not make reassuring reading in the markets.

In those circumstances supporting the dollar may need a lot more than the odd foray by central banks. And despite the bravado surrounding last week's concerted action there is little enthusiasm in Europe for large-scale, prolonged intervention. Dollar purchases on the scale seen in 1987 are not regarded as feasible.

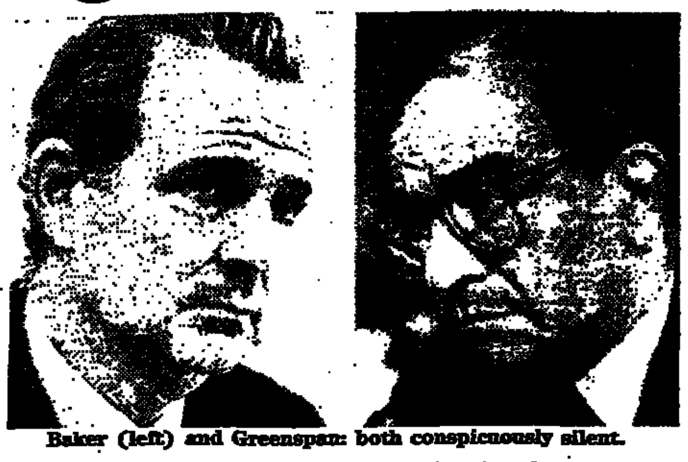
Equally, Japan and West Germany made it clear that they see little if any scope to support the dollar through lowering their interest rates. Both are relatively sanguine about inflation prospects for 1988 but still see a risk of price pressures building up during 1989.

The obvious alternative – a rise in the US discount rate – was barely mentioned. Both Mr Nigel Lawson, Britain's Chancellor of the Exchequer, and Mr Gerhard Stoltenberg, West Germany's Finance Minister, did indicate that they believed the US would raise rates if the crunch came.

But Mr James Baker, the US Treasury Secretary, and Mr Alan Greenspan, chairman of the Fed, were conspicuously silent on the subject. Higher borrowing costs during the run-up to a presidential election is not a prospect that enthuses Administration officials.

It is also far from obvious that a preemptive move to support the dollar through raising interest rates would be well-received on Wall Street. As one European central banker put it, any sharp fall in the dollar is likely to hit US share prices but so too would a rise in interest rates to support the currency.

For the time being, perhaps the best hope for Washington and its partners is that the US trade figures for March will be as good as the February ones were bad.



Baker (left) and Greenspan: both conspicuously silent.

Hijackers renew call for release of Arab extremists

By Francis Ghiles in Algiers

THE hijackers holding 31 hostages aboard a Kuwaiti Airlines jumbo jet at Algiers airport, yesterday repeated their call for the release of 17 Arab extremists jailed in Kuwait.

Their call came as negotiations for the release of the hostages between the hijackers and Algerian officials remained deadlocked.

It was one of a series of appeals made since the airliner landed in Algiers early last Wednesday. The hostage said that "the picture for all of us will be black" if the hijackers demand for the freedom of the prisoners was not met.

The hostage, identified as Mr Awad Doukhi, said that he and his fellow captives were in good health. He was asked to repeat his messages by Algerians in a control car on the runway.

Shortly afterwards a mediator was seen entering the Boeing once more. But there was no sign of a breakthrough in the long trial of strength which started with the forcible diversion of the airliner to Mashhad in northern Iran shortly after its take-off on a flight from Bangkok to Kuwait on April 5.

Kuwait has been adamant in refusing to contemplate the release of the 17 prisoners convicted for the car-bomb attacks on the US and French embassies in 1983, or to allow the airliner to leave Algiers. It is believed to have fuel aboard for as much as four hours' flying time.

On Saturday, in a statement in Arabic to three reporters summoned to the aircraft door, the hijackers, who are believed to be eight in number, said that they wanted to leave Algeria to "liquidate our account with Kuwait elsewhere".

On Saturday night both the Emir of Kuwait, Sheikh Jaber al-Ahmad al-Sabah, and King Fahd of Saudi Arabia telephoned President Chadli Bendjedid. The substance of the conversation was not disclosed but observers in Algiers believe both heads of state must have asked the Algerian leader not to let the jet leave Algiers.

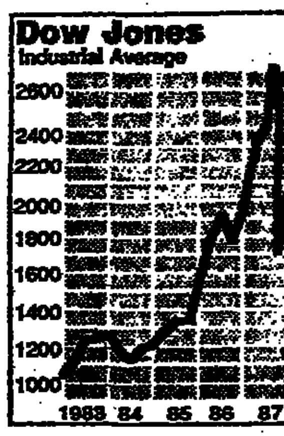
Yesterday afternoon the number of armed security men at the airport had increased substantially. But there was no official confirmation of any new development.

The dilemma for the Algerian Government is increasingly acute. It allowed the aircraft to land in the belief that a deal for the release of the remaining hostages had been reached as a result of mediation by the Palestine Liberation Organisation in Larnaca, the jumbo's last stopping point before coming to Algiers. Any temptation on Algeria's part to allow the airliner to fly on would be fiercely resisted not just by the Gulf states but also by Western nations, which have been urging President Chadli not to make concessions to terrorists.

THE LEX COLUMN

Out of danger, but still critical

The air had begun to look a little thin last week as the US share price balloon slowly circled to its highest level since the October crash. But when it hit one of the nastiest air pockets for a long time it nevertheless came as a terrible surprise. A near 5 per cent fall in US share prices in a single day is a big number, especially when it removes well over half of this year's gain in the Dow Jones Industrial average and it has forced some most unlikely people to begin dusting off their historical charts.



Wall Street's recent behaviour has the smell of a bear market about it. It is often said that in this type of market, shares spend 90 per cent of their time edging higher, and the rest of the time falling – and last week fitted into this framework nicely. If a bear market is defined as a fall of more than a fifth in the S&P 500, then the last six months certainly qualify. The index started the year 27 per cent below last summer's peak and, if the dividend stripping games of Japanese insurance companies are netted out, underlying trading volumes in recent months remain pitifully low – another symptom of a bear market. The question still facing Wall Street is whether it has just experienced the shortest and sharpest bear market in history, or whether the market will re-test last year's lows of 1,738 on the Dow and 224 on the S&P 500. At this stage the jury is pretty evenly divided.

Profit growth

The bullish argument for US equities, in a perverse way, is that last October's crash was rather good news for the US economy. It deflated demand at a time when the US economic engine was building a head of steam that could otherwise only have been curbed by sharply higher interest rates. The result will be a more moderate but prolonged growth phase; almost no-one sees a US recession this year, and the optimists rule it out next year as well. This should be good news for equities, and Salomon Brothers, for example, is forecasting corporate profit growth of 10 per cent this year, slowing to 6 per cent next year. Meanwhile, the combination of lower oil prices and the wealth destruction effect of the October crash have curbed inflationary expectations.

Despite last week's terrible US trade figures there are signs nevertheless that the dramatic fall in the value of the dollar over the last three years is leading to an underlying improvement in the massive trade deficit. There is plenty of anecdotal evidence that the US economy is becoming more competitive. One popular recent TV advertisement, for example, notes that the price of a new Mercedes is the same as the cost of two Cadillacs plus a chauffeur for a year. Meanwhile, the strength of US machinery imports in the latest trade figures can be interpreted favourably, at one level at least, as a sign that the US may soon re-emerge as a major car exporter.

Foreign capital

However, it is easy to paint a bleaker picture both for the US economy and the stock market. Whereas some economists believe that the US trade deficit could disappear by 1991/92, there are others who believe that this is wildly optimistic, and that the US is destined to remain a heavy importer of foreign capital for years to come. In order to finance the trade deficit the US needs to continue to attract substantial foreign capital, and this helps to highlight the US Federal Reserve's current policy dilemma.

If the dollar comes under renewed pressure, the Fed will be forced to raise interest rates. This is a risk that it can take so long as the economy remains in its current reasonably buoyant state, but it is possible to construct a far more gloomy scenario embracing rising interest rates and inflation, and a rapidly deteriorating economy. Given the scale of the Texas banking crisis – which is beginning to look far more serious than the run on Continental Illinois in 1984 – the Fed only has limited room for manoeuvre. This partly explains the intense interest of the financial markets in almost daily readings of the health of the US economy. As the reaction to last week's trade figures demonstrated, investors have a very short time frame these days, and need constant reassurance that all is well.

To be fair, the risks facing the US financial markets have not changed much over the last few months. Nevertheless, it is hard to argue that US equities are particularly cheap by historical standards. The prospective price earnings multiple of 11 on the S&P 500 is marginally higher than the 10.6 average for the last decade, and a 3½ per cent yield compares with an average 4.5 per cent for the same period.

It is sometimes forgotten that until now the average bear market in the US lasted for 19 months and yields rose on average above 6 per cent before share prices turned round. Whilst few are predicting such a gloomy outturn this time, there are several technical factors which make it most unlikely that US share prices will regain their 1987 peaks for a considerable time.

The gyrations in the stock market have forced institutional and private investors onto the sidelines, and they are unlikely to return as significant buyers until they can see signs of compelling value in equities. Until then the biggest buyer of stocks on Wall Street is likely to remain the corporate sector, and the size of the latter's appetite is critical. According to Salomon Brothers, net equity in the US shrank by $90bn last year, and it expects it to fall by another $75bn in the current year as corporations buy back their stock.

Foreign takeovers

Meanwhile, the surge of foreign acquisitions in the US is almost certainly fuelled by a belief that the next administration, whatever its political stripe, will be far less relaxed about corporate takeovers. The market hopes that more Japanese will follow in the footsteps of companies like Sony and Bridgestone and become aggressive buyers of US corporate assets over the next few years. But it is unlikely that this will be sufficient to offset a continuing absence of more traditional equity investors.

In short, Wall Street shares the problem of the US economy as a whole. It needs to re-establish confidence in itself, and it needs foreign capital. The first is unlikely to be restored as long as share prices can swing as violently as they did last week, and the second requires high and secure returns. It could be a long process.

Italy fears return of political killings

Continued from Page 1

making off with L1bn ($800,000). A leader of this faction was arrested last year in Rome, near Mr De Mita's home, and Mr De Mita disclosed that he himself had been a target.

The same faction, which first appeared in 1984, claimed responsibility for the 1986 killing of Mr Lando Conti, a former mayor of Florence, and the 1985 murder of Professor Ezio Tarantelli, a Rome academic. It was also disclosed yesterday that the Christian Democrats have received threats from the Red Brigades in recent weeks.

Mr Ruffilli, who was first elected to the Senate in 1983, had served on the Constitutional Affairs committee and as a member of the Commission of Inquiry into the P-2 Masonic Lodge. He was a personal friend of Mr De Mita's, as well as an adviser.

In Naples, police said they had identified two further suspects who had formed a three-person commando team responsible for the car bomb attack last Thursday night on a US military club, which left one American and four Italians dead.

In addition to Junzo Okudaira, the Red Army Faction terrorist who was originally named, police say logistical support was provided by Fusako Shinegobu, the so-called "queen" of the Red Army Faction, and by an as-yet-unidentified man of Middle Eastern origin.

Responsibility for the Naples bombing, which came on the second anniversary of the US bombing of Libya, was claimed in both Rome and Beirut by an organisation calling itself the Jihad Brigades.

● A court in Palermo on Saturday convicted 53 of 79 suspected Mafiosi in the second "maxi-trial" of members of the Sicilian Cosa Nostra. The second trial, which, like the first, was held in a "bunker-courtroom" inside Palermo's maximum security prison, saw the participation of Tomaso Buscetta, the former Mafia don-turned-supergrass.

EC's plans to harmonise VAT and excise duties criticised

By Tim Dickson in Brussels

SHARP CRITICISMS of the European Commission's plans to harmonise rates of value-added tax and excise duties are contained in a new report to be presented in Luxembourg today to finance and economic ministers of the 12 member nations.

The conclusions – which are interim findings of the Community's Economic Policy Committee of experts from all the member states – are expected to provide encouragement for the campaign against fiscal "approximation" being pursued in Britain by Lord Young, Trade and Industry Secretary, and Mr Nigel Lawson, Chancellor of the Exchequer.

It is understood that the interim report clearly acknowledges the need to ease restrictions on cross-border trade as part of the Community's campaign for a unified internal market by 1992, but that many of the other options considered fall short of harmonising VAT rates and excise duties as such.

However, final judgment on the controversial ideas put forward by Lord Cockfield, Commissioner responsible for the internal market, are reserved because the committee says it has not had time to digest the conclusions of the recent important study by the Italian economist Mr Paolo Cecchini on the economic and financial implications of bringing down trade barriers.

The Economic Policy Committee findings are not likely to deter the Commission, which will continue to argue that there is no going back on the plan to approximate VAT rates and that it is an essential precondition for dismantling EC internal border controls.

Also, the findings will not affect the timetable of the West German Government. In its capacity as president of the European Community, it aims to make significant progress on VAT harmonisation at an informal meeting of economics and finance ministers next month and, with the proposal on liberalising capital movements, hopes to reach agreement at the Hanover summit in June.

Single European market, Page 18

Worst day on the West Bank follows Abu Jihad killing

Continued from Page 1

"This operation (the killing of Abu Jihad) will strengthen our will and our determination towards our goal to achieve an independent state in Palestine," Mr Arafat said.

Arab leaders, including such moderates as President Hosni Mubarak of Egypt, have also expressed outrage over the killing of Abu Jihad who was a popular figure across the spectrum of regional politics. His death is a further setback for US-sponsored peace efforts, and will add to radical domestic pressures on Arab moderates.

The PLO leader, who was effectively the organisation's military commander, was gunned down in his house at Sidi Bou Said, a suburb of Tunis, at 1.30am on Saturday local time. He was caught in a hail of bullets in the presence of his wife and teenage daughter after his bodyguards and a gardener were shot.

Fatah, the mainstream PLO faction led by Mr Arafat, claimed responsibility for the hijacking which took place near Israel's Dimona nuclear facility in the Negev desert. Israel is also likely to have held Abu Jihad responsible for other guerrilla incursions recently across its northern border.

Abu Jihad, 52, was most directly responsible among PLO leaders for planning and directing resistance in the Occupied Territories. This would have provided another motive for the Israelis, troubled by four months of Palestinian riots, to assassinate him.

Mr Arafat, who arrived in Tunis from Saudi Arabia early yesterday, was conferring with fellow leaders of the guerrilla organisation and offering his condolences to Abu Jihad's family. Radical Palestinian leaders have *already vowed vengeance*.

A PLO spokesman said Abu Jihad would probably be buried on Tuesday in the Jordan Valley near the town of Karameh, scene of the famous 1968 Palestinian battle against the Israelis in which Abu Jihad himself was involved.

The apparent ease with which the assailants were able to carry out their mission has led to a review of PLO security arrangements in Tunis, the organisation's political headquarters. A PLO official said Tunisia had offered additional protection. The Tunisian authorities are continuing investigations into how a relatively large group of people – perhaps more than 20, according to some accounts – could have infiltrated the country.

Israeli politicians reacted to the news of the death of Abu Jihad – a figure always near the top of the country's "hate list" – in predictable fashion. While the left remained silent, right-wing ministers such as Mr Yosef Shapira and Mr Yigael Hurvitz *welcomed the news unreservedly*. "It was a pity his death did not come sooner", said Mr Shapira of the National Religious Party.

Disclaiming any advance knowledge of an event most Israelis assume was the work of the Mossad, Prime Minister Yitzhak Shamir said he had first heard about the events in Tunis on the radio.

UK set to replace Cockfield

By Peter Riddell in London

LORD JENKIN is among the front runners to become one of the two British nominated members of the European Commission.

If chosen, he would replace Lord Cockfield from next January. Lord Cockfield is unlikely to be reappointed by the UK Government despite his wish to continue for a second term.

He has annoyed ministers in London by his drive to secure VAT harmonisation rates.

Lord Jenkin, when Mr Patrick Jenkin, was a former Conservative Environment Secretary and served in the Cabinet between 1982-1984.

One senior British minister commented that reappointing Lord Cockfield, who is 72 this year, would "smack too much of the White House." (President Reagan began his second-term of office when in his mid-70s.)

Mrs Margaret Thatcher, the Prime Minister, and other senior ministers are discussing a possible shortlist, although an announcement does not have to be made until late summer.

From past practice one nomination for the four-year term is made by the Prime Minister and one by the opposition leader.

However, if Lord Cockfield is not reappointed it will be a key objective of the Government to nominate someone with a strong chance of taking over his portfolio.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	18	64	Dubrovnik	S	12	54	Malta	F	19	66	Rhodes	S	15	59
Algiers	C	20	68	Edinburgh	C	13	55	Manchester	C	13	55	Rio de J'o	F	33	91
Amsterdam	C	13	55	Faro	S	21	70	Manila	C	35	95	Rome	S	17	63
Athens	F	12	54	Florence	S	20	68	Melbourne	S	16	61	Salzburg	S	19	66
Bahrain	S	32	90	Frankfurt	R	13	55	Mexico City	C	26	79	San Francisco	C	11	52
Bangkok	C	34	93	Funchal	C	19	66	Miami	F	18	64	Seoul	F	23	73
Barcelona	F	18	64	Geneva	F	17	63	Milan	R	14	57	Singapore	F	31	88
Beirut	C	18	64	Gibraltar	S	22	72	Montreal	C	3	37	Stockholm	R	8	46
Belfast	C	13	55	Glasgow	C	13	55	Moscow	C	9	48	Strasbourg	C	16	61
Belgrade	C	9	48	Guernsey	F	13	55	Munich	F	18	64	Sydney	C	19	66
Berlin	S	21	70	Helsinki	C	5	41	Nairobi	-	-	-	Taipei	F	28	82
Biarritz	F	19	66	H. Kong	C	24	75	Naples	S	18	64	Tangier	S	20	68
Bombay	S	32	90	Innsbruck	F	20	68	Nassau	C	28	80	Tel Aviv	F	19	66
Bordeaux	F	19	66	Inverness	C	7	45	New Delhi	S	34	93	Tenerife	F	20	68
Brussels	C	16	61	Islamabad	F	38	100	New York	F	6	43	Tokyo	S	18	64
Budapest	F	10	50	Istanbul	R	10	50	Nice	C	15	59	Toronto	F	1	34
B. Aires	F	21	69	Jakarta	R	32	90	Nicosia	C	25	77	Tunis	S	22	72
Cairo	F	23	73	Jersey	F	16	61	Oporto	C	14	57	Valencia	C	19	66
Cape Town	S	26	79	Jo'burg	R	15	59	Oslo	C	8	46	Venice	S	16	61
Caracas	-	-	-	Lima	-	-	-	Paris	C	17	63	Vienna	S	13	55
Casablanca	S	19	66	Lisbon	C	17	63	Peking	C	13	55	Warsaw	S	14	57
Chicago	F	8	46	London	C	16	61	Prague	S	18	64	Washington	F	6	43
Cologne	F	15	59	Los Angeles	C	14	57	Reykjavik	S	-5	23	Zurich	C	14	57
Copenhagen	R	8	46	Luxembourg	C	14	57								
Corfu	R	10	50	Madrid	F	11	52								
Dallas	-	-	-	Majorca	C	19	66								
Dublin	F	15	59	Malaga	F	25	77								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Mexico reduces its deficit

Continued from Page 1

for the sale is $850m, which if realised, would net more than the de la Madrid Government's entire privatisation programme so far.

To this year, 112 state companies of the 1,150 this Government inherited had been sold, mainly in cement, soft drinks, hotels, textiles, car parts, and petrochemicals. This month, the Government announced it was selling a further 51 companies, and closing another 42, including more steel mills. The sales are to include major seafood, sugar and vegetable oil processing chains, and some significant engineering companies.

This does not include the now likely dismemberment of Aeromexico, the national airline, or the sale of the Government's majority stake in Mexicana de Aviacion, the second flag carrier.

Aeromexico late last week filed for bankruptcy in the face of a ground staff strike against the sell-off of 13 aircraft from its 43-jet fleet. The original shock plan envisaged the closure of Aeromexico, but this was rejected because it would leave 42 cities without air connections.

The two airlines now face a major rationalisation.

SECTION II - COMPANIES AND MARKETS
FINANCIAL TIMES
Monday April 18 1988

INTERNATIONAL BONDS

Eurodollar prospects clouded by US trade figures

LAST THURSDAY'S US trade statistics, which confounded predictions and triggered another period of distress for the dollar and US Treasury bonds, have inevitably called into question – yet again – the prospects for the Eurodollar bond market.

Investors agonised over whether to dump or hoard dollar-denominated securities as the currency retreated to its lowest levels since January, forcing central banks into action in a substantial support operation.

The nerves in the sector early last week, ahead of the Washington Group of Seven meeting and the trade figures, made Bankers Trust's $350m deal for the European Community look plucky, to say the least.

Market conditions were markedly different from the calm, even bullish climate into which Merrill Lynch launched a $350m deal for Sweden in January.

However, while the Sweden deal had a 10-year maturity, last week's EC issue has a mere 2¼-year life. This was cited by syndicate managers as the key to its success against the odds.

Investor behaviour has been erratic since the crash, yet one trend clearly discernible has been a retreat to the shorter end of the yield curve for defensive aims.

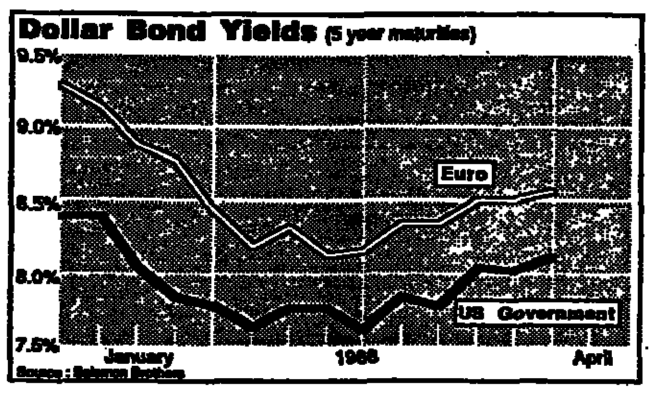
This is clear from the US Treasury market, where there has been acute volatility at the longer end.

The bell-wether long bond shed more than a full point on Thursday's trade news before finding support, and fluctuated widely again on Friday.

The pattern is also apparent in the Eurodollar market, which has shown surprising resilience lately in the light of the Treasury market's woes.

But this apparent robustness is due more to technical factors than to fundamentals, dealers warn. Since the crash, inventories of dollar securities have remained extremely low.

With new paper scarce, dealers are loath to carry short positions in Eurodollars. "If you short Eurodollars, believe me, you will never get them back," said one trader. This helped the EC deal.



The triple-A name of the borrower also ensured extremely good demand from European central banks, which always have room in their portfolios for sovereign names.

The deal was trading at a discount of 1 late on Friday, still within its total 1¼ fees.

So the message for syndicate managers contemplating a fixed-rate Eurodollar bond launch appears to be: make it short.

Whether any new issue teams will feel brave enough to contemplate doing so this week is a moot point.

Until the foreign exchange markets recover from their latest turn and investors believe some kind of credible trading floor for the dollar has been established, the sector seems likely to languish.

Dealers said many investors decided last week that the time was ripe to move into the higher-couponed currencies.

Just before Easter, it was the Canadian dollar sector which lured most disaffected US dollar investors.

However, the sector is also the first to suffer from weak US dollar fallout and prices eased last week, following a fall in Canadian government bonds.

Growing confidence in Australia's economy and currency, however, enabled the Eurobond market in that currency to shrug off any negative impact from other dollar sectors.

A total of A$500m was issued last week in eight new deals, three launched within minutes of each other on Friday.

Sector specialists forecast a return to the limelight for Australian dollars, which were the vogue among Continental retail investors last year.

An attractive series of swap windows prompted most of the deals, with borrowers achieving rates between 30 to 35 points below London interbank offered rate on five-year deals.

The rush of issues has meant an inevitable tightening of swap spreads, although syndicate managers said that top quality borrowers could probably still get similar rates.

Westpac's deal for Société Générale and BNP Capital Markets' issue for its parent were both going well late on Friday, trading at discounts of 1⅞ and 1.80 respectively, within their 2 per cent fees.

The favoured issue, however, was Deutsche Bank Capital Markets' deal for Unilever, which was trading at a discount of 1, easily within its 2 per cent fees.

Toronto Dominion last week added both Australian and New Zealand dollars to the list of currencies in which it has borrowed recently.

The NZ dollar issue met an enthusiastic response and could trigger a few more this week. However, the sector is small and even a couple of more issues could cause a logjam.

Dominique Jackson

W Germany to list companies outside insider trading rules

BY HAIG SIMONIAN IN FRANKFURT

WEST GERMAN companies which have not accepted agreed insider trading rules will be singled out in the daily official record of the country's eight stock exchanges from the beginning of next month.

At present, only those companies which have recognised insider trading recommendations drawn up in the 1970s are picked out in the market authorities' daily reports.

Over 90 per cent of leading German public companies have now accepted the rules, according to the Federation of German Stock Exchanges.

The new listing arrangement, which reflects the increasing attention now being paid to insider trading in Germany, will specifially draw attention to groups which have failed to take action.

According to the Federation, all German publicly quoted companies should now accept the voluntary insider regulations.

However, its enthusiasm stems from more than just a desire for greater investor protection. Insider trading is not legally forbidden in Germany, and German financial markets, like some others in the European Community, have come increasingly under fire for their lack of a legally based ban and of a statutory supervisory authority for securities.

Recent plans by the EC Commission in Brussels to harmonise insider trading rules have been widely criticised in Germany.

Only if German companies fully back the voluntary insider trading rules will it be posible to avoid a legally based regime, says the Federation.

EUROCREDITS

Changing perceptions and Hungary's new loan

HUNGARY'S STANDING has fallen in the eyes of international bankers over the last 18 months, but a new $200m loan which goes into syndication today should provide generous enough terms to ensure a reasonable reception.

The loan for the National Bank of Hungary will mature in eight years, with repayments of principal starting after a five-year grace period.

The margin over London interbank offered rate will be ¼ percentage point for the first five years and ⅜ point thereafter.

A seven-bank group, led by Deutsche Bank Luxembourg as general co-ordinator, has underwritten the transaction.

The other banks include Arab Banking Corporation, Bank of Tokyo International, Creditanstalt-Bankverein, Dai-Ichi Kangyo Bank, First Chicago and IBJ International.

The terms reflect both a deterioration in the perception of Hungary since it last came to the market and a more general reassessment of bankers' views about the value of lending to sovereign borrowers.

In contrast to lending to corporate borrowers, there is little spin-off in the way of other business.

The last time the Hungarians came to the syndicated loans market, in May last year, they won a ⅝ point margin over eight years. In February 1987, they had even achieved a ¼ point margin.

This year, Hungary had apparently resisted the inclusion of the ⅜ point element in the loan, but its bankers clearly prevailed. Hungary has been a heavy borrower – its gross hard currency debt is close to $18bn – and most banks do not have much room within their credit limits for additional loans to the country.

This is recognised in the way the credit is being syndicated. Lead managers are being sought at a $10m level for fees of 60 basis points, and fees for banks lending less than $5m are at the basis point level.

Indeed, some bankers were holding out the possibility that the loan might be increased. The decision to pay more for a successful syndication suggests that the Hungarians were persuaded that the tactic should improve prospects for them when they return to the market, possibly later this year.

The country needs $2.5bn in Western loans in 1988, of which $350m may be provided by the International Monetary Fund.

EUROMARKET TURNOVER ($m)

Primary Market

	Straights	Conv	FRN	Other
US$	1,219.0	13.5	0.0	8,610.3
Prev	965.9	0.0	0.0	5,966.0
Other	4,103.5	399.7	8.3	893.0
Prev	2,929.1	15.1	748.3	368.1

Secondary Market

US$	11,725.4	1,238.0	5,044.7	5,210.4
Prev	11,700.3	1,505.1	5,677.8	3,036.6
Other	15,926.4	941.7	2,387.5	14,973.9
Prev	14,887.9	739.9	4,706.1	14,575.6

	Cedel	Euroclear	Total
US$	8,376.2	24,685.1	33,061.3
Prev	7,186.8	21,664.9	28,851.7
Other	16,991.0	22,643.0	39,634.0
Prev	15,844.3	23,125.8	38,970.1

Week to April 14, 1988. Source: AIBD

Hungary's neighbour, Czechoslovakia, has completed a $50m financing, with a rather unusual group of banks. The five-year floating rate certificate of deposit facility for Ceskoslovenska Obchodni Banca carried a margin of ⅛ point.

As expected, this was clearly too tight for most of the usual lenders in the international loans market.

Besides First Chicago, which arranged the deal, the group comprises Banque Nationale de Paris, Zentralsparkasse of Austria, and three Soviet banks – Moscow Narodny, the International Bank for Economic Co-operation and the International Investment Bank.

In the corporate sector, S.G. Warburg is arranging a $200m multi-option facility for APV, a British manufacturer of food processing machinery.

The $150m committed portion carries a facility fee of 8¼ basis points, a margin of 15 basis points, and utilisation fees of 2½ basis points if drawn more than 35 per cent, and 5 basis points if drawn more than 71 per cent.

Terms for a $100m three-year revolving credit for Wyse Technology, the San Francisco computer products maker, are said to include a 30 basis points commitment fee and a margin of ⅜ point. It was one of four deals launched last week by Credit Suisse First Boston.

Elsewhere, **Rautaruukki**, the Finnish steel maker, is said to be raising $100m-150m over seven years, while Air India is assessing bids for a $150m, 10-year facility carrying a state guarantee.

The £150m financing for Reuters, arranged by Warburg, is likely to be increased to £200m.

Stephen Fidler

Ciba-Geigy reviews share registration

BY JOHN WICKS IN ZURICH

THE BOARD of Ciba-Geigy, the Swiss chemical and pharmaceutical group, wants to tighten its statutory restrictions on the registration of registered shares.

This is the latest in a series of similar moves by Swiss companies to protect themselves against unfriendly takeovers.

The board of the Basle parent will propose to shareholders at the May 4 annual meeting that no single natural or legal person should be able to hold more than 2 per cent of total registered share capital. This maximum had previously been set at 5 per cent.

At the same time, the company would be able to rescind entries in the share register in cases where the shares had been "obtained under false pretences."

This is intended to hinder the use of nominees to purchase registered shares.

Registered shares can be bought only by Swiss beneficiaries. These would be specified in the amendments now being proposed to the articles of association as "natural persons with Swiss citizenship and legal persons with headquarters in Switzerland and controlled by Swiss citizens."

The share capital of Ciba-Geigy is made up of some 3.51m registered shares, 750,000 bearer shares and 1.1m participation certificates, all of SFr100 nominal value.

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Dealers deprived of reliable data

LAST WEEK promised to be the first opportunity since the Budget for the gilt-edged securities market to assess the course of the economy. Yet from the market's point of view, the fates conspired once again to deprive it of any reliable economic data on which to trade.

Gilts with maturities of about 15 years ended the week toward the top end of their trading range, on a price basis, after a week of some buying.

The end-week firmness of sterling had some commentators speculating about another cut in base rates, but this has to be seen as unlikely, given that this Thursday's money supply figures seem certain to show both M0 well outside its approved range and a further strong growth in lending.

The spread between gilts and US Treasuries narrowed considerably, though not because UK interest rates moved down to meet long-dated Treasuries. The deterioration in the bond market has pushed up long-term US rates to levels prevailing in London – a rather sorry indictment of the UK, given the state of the British economy and policy compared with that in the US.

Friday's industrial production numbers, which the market took to be grossly distorted, were therefore largely ignored. A fall of more than 3 per cent in manufacturing output during February was seen as far too great to be believable.

The production series is notoriously erratic. Contained in Friday's figures was a revision to the manufacturing index for January. Initially, the Central Statistical Office has said the index rose 0.8 index points in January; the revision increased that estimate by 0.4 index points. When a revision is greater than the initial estimate, what value the figure in the first place?

That said, the CSO lowered its estimate of the underlying rate of growth of manufacturing from 6½ per cent to 5½ per cent. Any distortions it could think of to explain the fall in output – mal-seasonal adjustment, the Ford strike – were not enough to explain it fully.

Given the uncertainty surrounding the credibility of the industrial production figures, the numbers for productivity and unit labour cost were rendered virtually meaningless. A degree of doubt also surrounded the numbers for average earnings.

The annual growth in earnings in manufacturing for February fell from 8¾ to 8¼, confounding market pundits who had thought the rate would, at best, stay unchanged or, at worst, rise.

The effect of the Ford strike and other strikes in the motor industry, a slightly lower level of overtime worked, and a decline in the level of back-dated pay paid during the month appear to be key factors behind the fall.

The other significant statistics for the real economy were unemployment and vacancies.

In March, seasonally-adjusted unemployment contracted by 27,800 to 2.5m. Vacancies, although 15 per cent higher than a year ago, also fell for the fourth consecutive month.

The average fall in unemployment in the past six months has been of the order of 44,600 and this, taken with the apparent trend in vacancies, suggests an easing of pressures in the labour market.

So what does all of the above amount to? A cautious assessment would have to admit that there seems to have been a slowdown in manufacturing production and that this appears to be reflected in a slowing in the rate of take-up of the unemployed into employment.

The critical question, however, is whether a reduction in activity is occurring because of a generalised reduction in the rate of growth in domestic demand, or because UK industry is losing competitiveness.

Today's retail sales figures should provide an indication of the state of demand, while Thursday's money supply data should provide an indication of the strength of borrowing and, given that M0 is a coincident indicator of activity, a reading of the profile of nominal growth as well.

These statistics are expected to confirm buoyant consumer demand, another large rise in lending and the Treasury's key monetary indicator, M0, running above target.

This does not appear the best environment in which to cut interest rates, notwithstanding sterling's strength; nor does it seem cause for altering the current strategy of buying at the bottom of the trading range and selling at the top.

Simon Holberton

US MONEY AND CREDIT

Bonds buckle under array of problems

THE ONLY positive influence on the US bond market last week was the vulnerability of the stock market: small comfort indeed.

Bond prices had held up remarkably well in the early part of last week, in spite of stronger than expected retail sales in March and a spurt in crude oil prices on news that the Organisation of Petroleum Exporting Countries is planning to discuss with non-Opec oil producers ways to boost prices.

One reason for the market's apparent resilience was the usual desire not to pre-empt any news emerging from a meeting of the Group of Seven leading industrial nations. More important, however, was the feeling that good trade figures last Thursday would lay to rest the latest bout of dollar vulnerability.

In the event, the G7 communiqué published last Wednesday afternoon amounted to a restatement of previous commitments to currency stability although, by some accounts, a more eager public relations effort seemed to have been put on to convince the press and the markets that the mood was highly optimistic.

By Thursday night, in the wake of a surprisingly bad set of US trade figures – of which the G7 central bankers and finance ministers seemed not to have been aware the day before – emergency talks were being held to formulate a strategy to stabilise world financial markets.

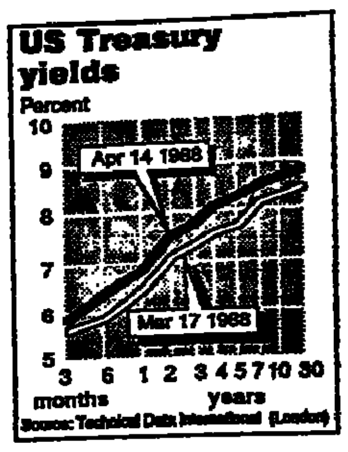
The fall in bond prices on Thursday was limited by the plunge of more than 100 points in the Dow Jones Industrial Average. Central bank intervention to support the dollar helped to a limited extent.

However, as the equity market rebounded last Friday and the dollar remained weak – in spite of the well-publicised and aggressive intervention by G7 central banks – bonds were hit again by news of a 0.6 per cent jump in producer prices in March. The yield on the Treasury's key 30-year 8.875 per cent bond jumped to within a whisker of 9 per cent, its highest level since the middle of January.

The array of problems faced by the bond market look remarkably similar to those which finally cracked the confidence of the stock market last October: persistently large monthly trade figures, a falling dollar, worries about inflation and rising interest rates.

Credit market economists at Smith Barney say only two things might help the bond market at the moment.

One would be a significant fall in commodity prices in response to fears of a substantial tightening in monetary policy by the US Federal Reserve. Yet there are some formidable obstacles in the way of any substantial Fed tightening; one, at least short-term, barrier is last week's evidence of chronic vulnerability in the stock market.



Source: Technical Data International (London)

The second factor which could help the market is the US presidential election, making it politically very difficult to force interest rates higher. The next meeting of the Federal Open Market Committee is on May 17.

Yet paradoxically, perhaps only a sharp stock market fall could save the bond market in the longer term.

The story told by last week's trade figures is a worrying one because it suggests the propensity of the US to suck in imports is now partially a structural one which cannot be addressed simply by further (inflationary) declines in the dollar.

Basically, with some pockets of manufacturing industry running up against capacity constraints and with domestic demand still strong, imports are boosted in two ways.

First, if American industry cannot satisfy US demand for goods, that demand will have to met from abroad. Secondly, it looks as if imports are going to be swelled significantly as manufacturing industry imports capital equipment in an attempt to expand capacity. This takes time.

International policy co-ordination still faces the perennial problem of trying to keep the dollar stable through intervention alone – given the reluctance of G7 countries besides the US to ease monetary policy because of inflation fears – until global trade imbalances improve.

This has never proved an easy task and the prospect, yet again, of central banks trying to buck the market through intervention is unsettling for both stocks and bonds.

The bond market will be watching the Fed closely over the next few weeks. With renewed evidence of inflation and continuing strong economic growth, will the Fed tighten further, risking a crisis of confidence on the equity market?

Or will it be forced to give in to a sliding dollar and so possibly exacerbate those inflationary fears?

* * * *

A number of key economic statistics are due to be published this week. With them are the consensus of forecasts from economists polled by Money Market Services of Redwood City, California:

- Capacity utilisation in manufacturing industry (Monday) is expected to have been little changed or slightly lower than February's rate of 82.5 per cent. The median forecast is for a rate of 82.4 per cent with a wide range of forecasts from 82.1 per cent to 82.8 per cent.
- Housing starts for March (Tuesday) are expected to have been about 1.52m units, only a little higher than February's preliminary 1.48m.
- Consumer Price Index for March (Wednesday) is expected to have risen by 0.4 per cent after gaining 0.2 per cent in February. Around this consensus forecast is a range of 0.3 per cent to 0.5 per cent.
- Durable goods orders (Friday) are expected to have risen by 1.5 per cent in March, according to the consensus. Forecasts range widely from zero growth to 3 per cent growth. Orders are expected to have been boosted last month by several large orders placed for civilian aircraft.

Janet Bush

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	6.76	6.92	6.54	7.78	6.27
Three-month Treasury bills	5.86	6.04	5.67	7.17	5.83
Six-month Treasury bills	6.19	6.28	5.84	7.65	5.41
Three-month prime CDs	6.98	6.93	6.65	8.28	6.47
30-day Commercial Paper	6.80	6.75	6.55	7.62	6.32
90-day Commercial Paper	6.87	6.81	6.55	8.05	6.37

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	99¼	-⅝	8.53	8.32	8.28
20-year Treasury	103⅜	-2⅞	8.99	8.73	8.72
30-year Treasury	99¼	-2⅜	8.95	8.68	8.67
New 10-year "A" Financial	n/a	n/a	9.65	9.40	9.45
New "AA" Long utility	n/a	n/a	10.05	9.75	9.75
New "AA" Long industrial	n/a	n/a	9.95	9.65	9.70

Source: Salomon Bros (estimates).

Money supply: In the week ended April 4, M1 declined $3.2bn to $765bn.

NRI TOKYO BOND INDEX

December 1983 = 100	14/4/88	Average yield (%)	Last week	12 wks ago	26 wks ago
	PERFORMANCE INDEX				
Overall	144.43	4.24	144.20	141.67	133.39
Government Bonds	145.67	3.85	145.52	142.26	133.19
Municipal Bonds	145.88	4.66	145.48	143.31	134.59
Govt.-guaranteed Bonds	147.19	4.65	146.77	144.71	135.98
Bank Debentures	137.88	4.14	137.63	136.11	130.51
Corporate Bonds	143.10	5.29	142.91	140.92	133.96
Yen-denom. Foreign Bonds	143.53	6.42	143.35	141.09	135.71
Government 10-year†	4.76	-	4.78	4.90	5.97

† Estimated par yield

Source: Nomura Research Institute

Legal hitch for Finnish options

FINLAND'S NEW options exchange (SOM) has run into unexpected legal problems which have prevented it from beginning operations today as planned.

The SOM's initial product, the FOX weighted "basket" of options on 25 leading Finnish shares, has fallen foul of a law that forbids prices and wages from being linked to indices. Following an adverse ruling by a Justice Ministry panel, the SOM decided to postpone the start of operations indefinitely.

Meanwhile, the Finnish Government last Friday drafted a rapid amendment to the law in order to allow index-linked options, which is expected to pass through parliament in two weeks. The SOM said over the weekend that it would "continue to practise operations" until the amendment is passed.

The law forbidding linkage dates back to the period of high inflation in the 1960s, when wages were routinely linked to cost of living indices. The SOM had interpreted this as not applying to its FOX basket options, because other similar products, including currency baskets, are allowed. According to the board, ruling index-linked options and index-linked futures are illegal and void if settlement is in cash.

Olli Virtanen

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. on week	Yield
ABN BANK 8½ 91	150	[illegible]	[illegible]	[illegible]	8.73
AETNA LIFE & CAS 7⅞ 16	200	[illegible]	[illegible]	[illegible]	8.15
AHFC O/S. FIN. 11¼ 94	100	[illegible]	[illegible]	[illegible]	11.18
A.I.D.C. 11 89	75	[illegible]	[illegible]	[illegible]	8.42
ALBERTA 7⅞ 91	750	[illegible]	[illegible]	[illegible]	8.46
ALCOA AUSTRALIA 11 92	80	[illegible]	[illegible]	[illegible]	10.40
AUSTRALIA 11¼ 92	100	[illegible]	[illegible]	[illegible]	9.83
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn=current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant cu.yld=current yield at current warrant price. Closing prices on APRIL 15

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Texaco to dispose of $2bn more in assets

By James Buchan and Janet Bush in New York

TEXACO, the US oil company which has just emerged from bankruptcy protection, has announced a further $2bn (£1.06bn) of asset disposals in an attempt to forestall pressure from shareholders for the outright sale or liquidation of the company.

In a move that sent its stock price rising on Friday, Texaco said it would sell the US and overseas assets to repay debt, fund capital projects and possibly finance a big stock repurchase.

The new sell-off, which is expected to include part or all of Texaco Canada, brings to $5bn the proceeds it hopes to raise from selling marginal oil and gas fields and prospects, refineries and gas stations.

It also planned to restart quarterly dividend payments, which were suspended by the bankruptcy court, at the old level of 75 cents a share. Its stock, which has been the target of intense speculation since the company emerged from Chapter 11 of the bankruptcy code on April 7, rose $1⅞ to $48¾ on Friday.

Texaco, which was driven into bankruptcy by a legal dispute with Pennzoil, already plans to sell $3bn in assets to finance a special payment of that amount to the Houston oil company this month. Before taking the payment into account, Texaco has a net worth of about $14bn.

Texaco is under intense pressure from a group of stockholders, led by Mr Carl Icahn, the corporate raider who owns 14.8 per cent of its shares, to raise its stock price or face dismemberment.

Under Mr James Kinnear, chief executive, the management is seeking to buy time for a restructuring which will shift the company's emphasis from refining to production.

The company is sifting through offers for Deutsche Texaco, its West German subsidiary, believed to be worth about $1.5bn, and is negotiating to sell a half share in a group of US refineries and marketing networks to Saudi Arabia.

More defections from First Boston

BY OUR NEW YORK STAFF

THE TWO executives in charge of leveraged buyouts at First Boston, the leading US investment bank, are leaving with five of their team to form a new company.

The move, which came late on Friday, is the latest in a series of dramatic defections from First Boston, which has been the focus of speculation about management in-fighting following the October stock market collapse.

The most notable departures were those of Mr Joseph Perella and Mr Bruce Wasserstein, First Boston's mergers and acquisitions stars, who clashed with top management over the company's refusal to devote more resources to investment banking activity, rather than trading.

A number of other top executives in key departments have also left over the past few months.

First Boston's leveraged buyout business is regarded as one of the company's more profitable areas. The investment bank became a general partner in the $800m buyout of Union Carbide's consumer products group and the $150m buyout of Avondale Mills, the textile manufacturer.

The general partners of the new firm will be Mr Arthur Nagle and Mr Daniel O'Connell, the managing directors who headed the department, along with two vice-presidents and three associates who had worked with them at First Boston.

Mr Nagle said no date had been set for the departures and that the first priority was to ensure a smooth transition for their replacements.

Mr James Maher, co-head of First Boston's investment banking operations, said the company remained committed to expanding its merchant banking activity and would draft in executives as replacements.

Bekaert depressed by job cuts

BY WILLIAM DAWKINS IN BRUSSELS

BEKAERT, the internationally diversified Belgian steel wire maker, has announced a 23.6 per cent decline in net profits after a BFr1.6bn ($46.1m) extraordinary charge for the costs of slimming its domestic workforce by a quarter.

However, the group's underlying profits rose slightly, in spite of keener international competition and the impact of the dollar's fall on competitiveness in export markets.

The group, which is to shed 1,400 jobs at its Flemish headquarters during the next five years, has also changed its accounting procedures so that all subsidiaries in the 17 countries in which it operates use the same reporting standards.

Accordingly, consolidated turnover rose from a restated BFr43.7bn in 1986 to BFr44.6bn for the year to last December.

Operating profits on the same basis fell from just over BFr3bn to BFr2.9bn, a decline at the net level from BFr2.9bn to BFr2.3bn.

Excluding restructuring expenses – which are being charged in the consolidated accounts at BFr912m after tax – net profits rose by nearly 7 per cent to BFr3.1bn.

The company said the restructuring was part of its strategy to move a large part of production away from the main plant in Zwevegem into smaller specialised units. It plans to spend BFr6bn this year on plant modernisation.

The directors are proposing a BFr235 net dividend for ordinary shares, up from last year's BFr220.

Daimler takes stand on MBB

DAIMLER-BENZ, the West German motor, engineering and high technology group, has warned the Bonn Government that it is unlikely to buy a stake in Messerschmitt-Bölkow-Blohm (MBB), the aerospace and armaments group, unless steps are taken to restructure the aerospace industry, Our Financial Staff writes.

Mr Edzard Reuter, Daimler's chief executive, said in an interview with Der Spiegel, the West German magazine: "If we were told that MBB is to carry on without changes and that restructuring measures were unnecessary, then we would go our own way with Dornier (the aerospace group which Daimler already controls).

"But we are sure that those presently responsible for MBB would be sorry."

Daimler, which in recent years has aggressively expanded away from its strong roots in the motor industry, has long been privately urged by Bonn to invest in MBB, whose interests include the West German participation in Airbus Industrie, the European civil aviation consortium.

Hitherto, however, Daimler has been unwilling to bow to pressure without guarantees that it would bear no part of the heavy losses accumulated by the Airbus programme.

In its drive towards diversification Daimler on Friday offered DM200 ($120) a share for the outstanding minority shares of AEG, the electronics group of which it already owns 56 per cent.

Nova edges forward in Polysar battle

BY ROBERT GIBBENS IN MONTREAL

NOVA, the Calgary energy group, has won another step in its fight to gain control of Polysar Energy and Chemical.

Polysar shareholders have defeated a management proposal to issue 4.6m common shares to Union Carbide Canada in exchange for a 1985 convertible preferred issue. Management valued the preferred stock at C$114m ($92.4m).

The defeat was a clear gain for Nova. Noranda, the mining group, which has owned 10 per cent of Polysar since 1986, voted against the common stock issue.

Then, several hours afterwards Noranda sold its block to Gordon Capital Corporation, the Toronto investment bank, and also a large block of Canterra Energy, Polysar's oil and gas subsidiary.

Some Canadian analysts believe that Mr Li Ka-Shing, the Hong Kong financier, may have been the buyer of Noranda's Polysar block. He is equal partner with Nova in Husky Oil.

Nova already has a 25 per cent voting interest in Polysar and has offered C$22.50 a share for the rest of the Polysar shares, costing around C$700m.

Polysar, formerly the Canada Development Corporation, has a 25 per cent limit on the holding of any single stockholder, and Nova will have to get this changed.

New orders lift Fiar's profits

By Alan Friedman in Milan

NEW ORDERS in the radar and robotics sectors helped Fabbrica Italiana Apparecchiature Radioelettriche (Fiar), a Milan defence electronics manufacturer, to achieve a L7.9bn ($6.3m) net profit in 1987, up by 8 per cent.

The profit was struck on L121.4bn of revenues, a rise of 6.6 per cent. The Fiar group, which has 47 per cent of its shares quoted on the Milan bourse, is majority owned by Setemer, an Italian holding company of Sweden's Ericsson.

The Milan company, which said it had L348bn of orders, or 30 month's worth of work, is active in advanced technologies such as robotics for application in space, artificial intelligence, thermal imaging and logistics.

Exports, both direct and indirect, accounted for roughly 50 per cent of Fiar's turnover.

Essilor International, the French optical group, expects continued satisfactory growth in its business this year, Reuter reports from Paris.

Mr Bernard Maintenaz, chairman, said in a letter to shareholders that turnover for the first quarter of 1988 was about 12 per cent higher than the same period in 1987, excluding currency factors.

He gave no forecast for 1988 growth or profit, nor data for the turnover rise in the first quarter.

Attributable group net profits of FFr250m ($44.4m) for 1987, against FFr242m in 1986, were up 9.3 per cent excluding currency factors, but only 3.4 per cent higher when currency fluctuations were taken into account.

Group turnover of FFr3.81bn compared with FFr3.37bn a year earlier.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Nihon Koden Corp.‡♦	50	1993	5	4⅛	100	Yamaichi Int.(Eur)	4.125
Taisei Corp.‡♦	200	1992	4	3⅝	100	Yamaichi Int.(Eur)	3.625
Mitsubishi Paper Mills‡♦	150	1993	5	4⅛	100	Nikko Secs.	4.125
Taisei Corp.‡♦	100	1993	5	4⅛	100	Nikko Secs.	4.125
Futaba Corp.‡♦	100	1993	5	4⅛	100	Nikko Secs.	4.125
Showa Aluminium‡♦	120	1993	5	4⅛	100	Nomura Int.	4.125
Riken Vinyl‡♦	60	1993	5	4⅛	100	Yamaichi Int.(Eur)	4.125
Comcast§♦	100	2003	15	2¾	100	Morgan Stanley	2.750
Kobe Electric Railway	50	1993	5	(4½)	100	Daiwa Europe	*
European Community♦	350	1990	2	8	101	Bankers Trust	7.444
Godo Steel‡	70	1993	5	(4⅜)	100	Yamaichi Int.	*
Nissin Electric‡	50	1993	5	(4⅜)	100	Yamaichi Int.	*
Sekisui Chemical‡	300	1993	5	(4⅜)	100	Daiwa Europe	*
Jets III†♦	42	1993	5	(b)	100.05	Mitsubishi	-
CANADIAN DOLLARS							
Commerzbank O'seas Fin.♦	75	1992	4	9¾	101⅝	Commerzbank A.G.	9.246
NEW ZEALAND DOLLARS							
Toronto Dominion♦	60	1992	4	13½	101⅝	Hambros Bank	12.954
AUSTRALIAN DOLLARS							
Toronto Dominion Aust.♦	75	1991	3	12⅝	101½	Hambros	12.000
Commonwealth Bk Aust.♦	100	1993	5	12⅝	101⅞	Hambros	12.104
L'Bk Rheinland Pfalz♦	50	1991	3	12½	101⅝	L'Bk Rheinland Pfalz	11.825
B.N.P.♦	75	1993	5	12½	101¾	B.N.P.Cap. Mkts.	12.014
Societe Generale Aust.♦	50	1993	5	12½	101⅞	Westpac	11.980
Unilever Aust. Plc.♦	50	1993	5	12¼	102	Deutsche Cap. Mkts.	11.699
G.M.A.C. Aust.♦	50	1991	3	12¼	101½	Hambros	11.629
Indosuez Aust.♦	50	1993	5	12⅝	101⅞	Hambros	12.104
DEUTSCH MARKS							
Japan Dev. Bank♦	300	1995	7	5⅜	101¼	Deutsche Bank	5.158
Malaysia♦	100	1995	7	6	100	Deutsche Bank	6.000
I.K.B Int.(Lux)	75	1993	5	5	100½	I.K.B. A.G.	4.885
SWISS FRANCS							
Towa Real Estate§♦	80	1993	-	⅜	100	Credit Suisse	0.375
Vienna♦	100	1999	-	4⅝	101¼	Wirtschafts Privatbk	4.481
Vienna**♦	50	1995	-	4⅛	101	Wirtschafts Privatbk	3.959
Mountleigh Finance♦	150	1995	-	5¼	100¾	UBS	5.120
Fuji Electro Chemical§	60	1993	-	(1½)	100	Credit Suisse	*
Metropolis of Tokyo♦	100	1993	-	3⅞	100¼	SBC	3.819
Mo & Domsioe A.B.♦	200	1998	-	5	101	Credit Suisse	4.871
Fin.For Danish Ind.**♦	75	1995	-	4⅛	100¾	Kredietbank Suisse	4.000
DG Bank (Lux)♦	150	1993	-	4⅛	100⅝	Swiss Volksbank	3.985
GUILDERS							
Sara Lee Corp.♦	200	1998	10	6½	101	AMRO Bank N.V.	6.362
FINNISH MARKS							
World bank♦	300	1996	8	9⅝	100	Postipankki Bank	9.625
ECU							
E.I.B.♦	75	1995	7	7⅜	101½	Credit Agricole	7.096
Denmark♦	100	1993	5	7¼	101⅜	Credit Lyonnais	6.915
LUXEMBOURG FRANCS							
T.V.I.S.**♦	300	1993	5	7⅜	100	Bqe.Int.a Luxembourg	7.375
Pacific Dunlop**♦	300	1993	5	7¼	100¼	Credit Europeen	7.189
Banque Paribas**♦	300	1993	5	7	100¼	Bqe Paribas (Lux)	6.939
Christiania Bank (Lux)♦	600	1993	5	7	100½	Bqe Paribas (Lux)	6.878
DANISH KRONER							
Nordic Inv. Bank♦	250	1992	4	0	70¼	Privatbanken A/S	9.229
Nordic Inv. Bank♦	250	1993	5	0	63⅞	Privatbanken A/S	9.379
YEN							
Sweden♦	50bn	1993	5	4⅝	101½	Nomura Int.	4.285
Ost. Kontrollbank AG♦	25bn	1993	5	4⅝	101¼	Nomura Int.	4.342
Bqe Francaise Comm.Ext.♦	25bn	1993	5	4¾	101¾	IBJ Int.	4.353
STERLING							
Residential Prop.Secs.†♦	200	2018	7	(a)	100	Warburg Secs.	
Inspectorate Int. Fin.§♦	70	1998	10	5	100	CSFB	5.000
American Brands♦	75	1993	5	9¾	101½	Kleinwort Benson	9.361
AMEX O'seas Credit Corp.♦	50	1993	5	9⅝	101¾	Shearson Lehman	9.173
IMI Bank Int.♦	100	1993	5	9¼	101⅜	UBS Secs.	8.897

*Not yet priced. **Private placement. ♦Final terms. †Floating rate note. ‡With equity warrants. §Convertible. (a)35 basis points over 3 month Libor, for first 10 yrs, then 50 basis points. Expected life 7 yrs. (b)25 basis points above 6 month Libor. Note yields are calculated on AIBD basis.

Beazer hit by further Koppers court injunction

BY NIKKI TAIT

Koppers, the Pittsburgh-based building materials and chemicals company which is fighting an unwanted $1.7bn bid from British building group Beazer, has won a further court injunction against its aggressor.

On Friday, in Pittsburg, Judge Maurice Cohill granted Koppers a preliminary injunction blocking the offer, on the grounds that the bid may be in violation of the Williams Act on three counts.

The Williams Act, part of the federal securities legislation, governs information which must be disclosed by any bidder to the target company's shareholders during tender offers.

However, the Beazer camp appears undismayed by the latest decision. "The legal postion is getting clearer, and the way to get out of this is to file," commented Mr John Matthews of County NatWest, Beazer's UK advisers.

He added that the British company's lawyers have been working on the required disclosures over the weekend. The three areas where the US District Court judge accepted that Beazer may be in breach of the Williams Act are:

- a failure to file certain information on Shearson Lehman Hutton, the US investment bank, which is an investor in BNS. BNS, in which Beazer holds 49 per cent of the ordinary shares, is the company making the Koppers bid;
- a failure to "adequately" disclose how the debts taken on as a result of the offer will be discharged – in particular, how the Shearson interest will be redeemed;
- a failure to "disclose adequately possible violation of the margin requirements of the Securities and Exchange Act, and regulations promulgated by the Federal Reserve Board."

In the face of the on-going legal battles, Beazer is today expected to announce an extension to its $60-a-share tender offer. The last expiry date was midnight on Friday. According to the Beazer camp, about 3m shares – just over 10 per cent – have been tendered to the offer, although current legal action prevents the British company from actually acquiring the shares. This is in addition to the bidder's existing 7.4 per cent stake. On Friday, Koppers shares closed at $53¾ in New York.

Aside from the Pittsburg litigation, the British company is still immeshed in legal action on two other fronts. In Delaware – likely to be the next centre of attention – it is attempting to spike a poison pill attempt at a leveraged recapitalisation, and in California Koppers has already secured a preliminary injunction in an anti-trust action. Beazer's appeal against this is due to be heard on May 13.

Suchard asks to meet Rowntree

By Nikki Tait

SWISS coffee and confectionery group, Jacobs Suchard – which last week snapped up 25.7m shares in Rowntree, the UK sweets manufacturer, to take its stake to 14.9 per cent – has written to the British company, suggesting a meeting.

In a letter, group chairman Mr Klaus Jacobs, has told the British company that "as a now significant investor", Suchard is looking for an opportunity to meet Rowntree "in order to develop a relationship commensurate with our new status".

Rowntree – which saw its shares race further ahead after the Suchard raid, on speculation that an outright bid from another predator may ensue – said yesterday that it had not yet replied to the letter and was still discussing its response. However, a spokesman added that the company was not planning any meeting with Suchard at present.

Capital and Regional Properties climbs

Pre-tax profits at Capital and Regional Properties more than trebled from £131,614 to £453,115 in the year to December 25 1987. There is a final dividend of 0.2p for a net total of 0.3p. No payment was made in the previous year.

Net asset value per 10p share of this USM company improved from 74.91p to 90.46p.

The refinancing of existing properties in the portfolio and increased rental income improved the group's cash resources from £1.15m to £1.94m.

Mr Martin Barber, chairman, said he had every confidence that the momentum of the group's activities would continue.

David Waller looks at the UK's largest hospitality company

THF turns its attention to Europe

THE LIFE of Charles Forte, the 80-year old chairman of Trusthouse Forte, is imbued with romance. That of Rocco, the chief executive of the hotels group and the chairman's son, is not. Rocco is a chartered accountant, his father a dashing entrepreneur.

From humble origins as the proprietor of a milk bar in Regent Street, Charles – now Lord Forte – weathered internment during the war, a bruising merger with Trust Houses in 1970, and the scorn of the English Establishment during the as yet unfinished battle for control of the Savoy, to create one of the world's largest hotel and catering groups.

His 43-year old son, schooled at Downside and Cambridge and in the arid disciplines of accountancy, succeeded as chief executive in March 1983. The question which then troubled City analysts was whether Rocco, mild-mannered and quietly-spoken, had quite the mettle to drive THF forward into the next century.

Two recent transactions suggest that Rocco has emerged from his father's shadow. Last month THF acquired control of hotel and restaurant group Kennedy Brookes within hours of launching a £178.6m takeover bid. In the summer of 1986, THF paid £190m to Hanson Trust for the hotels and restaurants formerly owned by the Imperial Group.

Although Lord Forte's recently published autobiography reveals that the chairman wrapped up the earlier deal over a lunch with Lord Hanson at Ninety Park Lane, his son is credited with doing much of the groundwork. THF won control of 75 Happy Eater roadside restaurants, 30 Anchor hotels, and 74 Imperial Inns, against stiff competition from other parties.

In the case of last month's deal, the chief executive was firmly in the driving seat. Or not quite. Rocco won KB's grudging agreement for the takeover as he was being driven to the airport on Saturday morning; by Monday night, stockbrokers acting on his behalf had bought more than half the smaller company's equity. The transaction gave THF 22 hotels and two of London's more salubrious restaurant chains, Wheeler's and Mario and Franco's. Analysts increased their forecasts for THF's pre-tax profits from £215m to £224m as a result.

For THF, such dramatic, high-profile developments are a rarity. Although the protracted battle for control of The Savoy Hotel provokes much colourful rhetoric, THF professes to eschew hostile bids. It is simply too large a group to grow at the pace set by Lord Forte in his younger days.

Turnover last year was £1.8bn, broadly equivalent to its market capitalisation. Operating over 790 hotels worldwide, THF ranks with Marriott (of the US) and Accor (of France) as one of the largest international hospitality companies in the world. In the UK, whence derive 80 per cent of group sales, it is the largest hospitality company.

In this country, it operates 22,000 bedrooms in 210 hotels and thus commands 4.3 per cent of the fragmented industry. Its nearest rivals are Mount Charlotte, with 65 hotels and 1.7 per cent of the market, and Crest Hotels, with 50 hotels and 1.3 per cent of the market.

It is an understatement to say that the company is not merely a hotelier. Over half last year's turnover came from catering – either to the public through outlets such as Happy Eater, Little Chef, Harvester and Kentucky Fried Chicken – or to companies and institutions served by Gardner Merchant, THF's contract catering arm. Amongst other things, THF is the UK's largest restauranteur, largest flight and airport caterer, and largest petrol retailer through its motorway service stations.

But hotels account for the bulk of group profits – nearly 70 per cent of operating profits of £197m last year. Of that, 56 per cent came from the group's UK hotels. In the US, growth has been sluggish and margins slender: last year, profits in the US grew by just 9 per cent, against 27 per cent in the UK. The trading margin in the UK was an impressive 24.7 per cent, against a mere 6.2 per cent in North America.

Rocco Forte declares that he is "not overhappy" with the company's performance in the US, but claims that a comparison with the UK is unreasonable given a chronic over-supply of hotel rooms in the US and the fact that most of THF's 492 US properties are run on a franchise basis by other companies. In the US, THF will aim to maximise the return on its existing assets; the focus of the company's immediate expansion will be in Europe where THF operates only 25 hotels.

"We don't have a major presence in any European country other than the UK," he says. "I'd like us to be to Europe what we are to the UK already, and to get most of the expansion out of the way by 1992 if possible.

He anticipates spending between £500-£600m in the period between now and the removal of EEC trade barriers in four years time, accumulating a portfolio of up to 200 hotels located principally in Spain, France, Germany and Italy. The process has already begun: this year, THF

Rocco Forte: emerged from his father's shadow

has bought 4-star hotels in Milan, Fuigi and Nuremburg and has won consent to build the first 4-star hotel at the Leonardo da Vinci airport in Rome.

Before the process of geographical expansion is long underway, THF will have completed a major re-think on the branding of its hotels, both in the UK and overseas. Rocco Forte and Dennis Hearn, deputy chief executive and managing director of the hotels division, concede that the group's hotels are neither sufficiently differentiated from one another in the UK, nor sufficiently international enough in their appeal.

"We don't give enough indication by brand of the different level of comfort and facility available in our hotels," says the deputy chief executive, speaking of the UK portfolio. "Take the example of the Post House. The ones we're building now are in a totally different league from those we built twenty years ago. The brand name gives no indication of this. We are not helping our customers to exercise choice."

The diversity of THF's UK hotel portfolio, created as a result of Lord Forte's opportunistic acquisitions, complicates the issue. According to Paul Slattery of brokers Kleinwort Grieveson, "it is simply not possible to impose a product uniformity on hotels which range from a Tudor Inn to a Georgian town house to a modern tower block."

With the help of Saatchi and Saatchi, THF is searching for internationally applicable brands to identify ways of segmenting the market for business travellers, where THF meets head-on competition from Holiday Inn, Ladroke/Hilton and Crest.

There is likely to be a separate brand for the the 4-star hotel used by the international businessman. Into this category fall the more modern Post Houses Hotels and the 30 Viscount hotels in the US. These hotels will probably be called Forte International, and spearhead the company's expansion in Europe. THF has not yet made up its mind how to deal with the mid-range of the business market, although many of the individualistic properties in THF's UK portfolio will be loosely grouped into a family of "classic" hotels.

At the top and bottom of the market, THF is more decided. THF's clutch of "exclusive" hotels – like the Grosvenor House in London and the Plaza Athenee in New York – will remain untainted by brand. The 2-star, "budget" hotels are all to fall under the Travelodge banner – meaning that THF can consolidate its position as leader is this fast growing segment of the UK market without having to build next to its Little Chef restaurants.

This exercise requires more the temperament of an accountant than that of an entrepreneur. Mr Forte contends that this is nothing new for THF:

"People mistakenly think my father was brilliant only at making deals. Of course, he made some good deals, but he was just as much concerned with running the companies better when he'd bought them so that their profits would finance the next acquisition. People ignore that side to his character. It is in the company's lifeblood."

Lep takes control of Nat. Guardian

By Nikki Tait

Lep Group, the freight forwarding, transport and property company, has acquired a controlling interest in National Guardian Corporation, a US security services company. It will follow this up with a full merger proposal.

Mr William Berkley, NGC's chairman has agreed to sell 1.15m shares in the NASDAQ-quoted company to Lep. Lep already holds a 40.5 per cent interest – the bulk of which dates back to 1984 – and the additional purchase will take its holding to around 52 per cent.

Lep is paying for the latest NGC shares by the issue to Mr Berkley of 5.99m new ordinary shares of its own – 6.2 per cent of its current issued equity.

In addition, Lep will make a merger proposal to NGC, under which NGC shareholders will also be offered 5.22 new Lep shares in exchange for every one NGC share. The new Lep shares will trade in ADR form.

Courtaulds buy

Courtaulds is buying Scottish-based Matthey Organics – a pharmaceutical intermediates manufacturer – from John Matthey for £2.25m cash.

Restructuring benefits begin to flow at OIS

Oilfield Inspection Services, taken over in March by a consortium headed by Mr Paul Bristol, incurred a pre-tax loss of £184,000 for 1987 compared with a loss of £982,000 the previous year. No dividend has been declared.

Turnover was stable at £11.5m (£11.88m) and a tax credit of £131,000 (£289,000), with a loss per share of 2.3p (9.7p).

The company - which was hit badly by the downturn in North Sea exploration during 1986 - has significantly restructured and this has produced rapid improvement in the financial position.

Performance in the first two months of this year was reported ahead of budget, and terms have been agreed for the disposal of loss-making OIS Engineering to a management buy-out team for a cash consideration of £800,000. Excluding this engineering subsidiary, pre-tax profit of continuing businesses for 1987 was £124,000.

Windsor Sec £1.2m expansion

Windsor Securities is continuing to expand its retail insurance broking activities with the £1.2m acquisition of Burns, Burr, based in Richmond, Surrey.

The vendors, Mr Sidney Burns and Mr Frank Charles Burr, are to receive 2.26m new Windsor shares and have agreed to retain 265,518 of these for at least 12 months.

Arrangements have been made for 1.65m of the new shares to be placed by Charterhouse with institutional and other investors.

Renaissance

Renaissance Holdings has acquired 163,706 ordinary shares in Advansys, an unquoted UK computer services company, for £205,000 in cash and subscribed for 434,126 new 8 per cent cumulative convertible redeemable preference 10p shares at a price of £1 each. Following conversion, Renaissance would hold 24 per cent of Advansys.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims- China and Eastern Investment Company, New Cavendish Estates. [illegible]

FUTURE DATES

[illegible]

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus *) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
Allied Lyons	May 19	Final 7.2	*Hawker Sid	Apr 20	Final 12.0
BOC	May 18	Interim 3.25	Inchcape	Apr 21	Final 13.5
Bass	May 18	Interim 4.5	Land	[illegible]	[illegible]
Brit & Comm	May 16	Interim 4.0	[illegible]	May 13	Final 7.75
Brit Airways	May 19	Final 3.55	[illegible]	May 19	Interim 2.05
Briston Ent	May 21	Final 3.3	Sainsbury (J)	May 16	Final 4.55
Costain	Apr 20	Final 10.0	Sears	May 12	Final 3.0
Eng China	May 14	Interim 5.0	*Tarmac	Apr 28	Final 6.0
Grand Met	May 11	Interim 4.5	Tate & Lyle	Apr 25	Interim 9.0
Hammerson	Apr 18	Final 8.5			

Country and New Town returns to the black

Country and New Town Properties, which is undergoing a reorganisation, returned to taxable profits for the five months to the end of December 1987.

With gross rental income of £4.55m and surplus on sale of properties of £1.75m, profits were £578,000 compared with a loss in the previous six months of £2.88m.

Earnings per 10p share came out at 0.58p but there will not be a second interim payment following the interim of 0.7p. Directors said that there would be a final dividend with the accounts for the 17 months to June 30 1988.

The directors said that the results did not fully reflect the benefits which would accrue form the new strategy adopted by the board. The figures included losses attributable to the company's investment in Bay Financial Corporation, and extraordinary costs of a little less than £1m in respect of non-recurring professional fees and other charges relating to the disposal by British & Commonwealth Holdings of its 44 per cent stake.

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:

- Berry Starquest (Section: Investment Trusts)
- Lawson Mardon (Paper, Printing & Advertising)
- PLM AB B (Industrials)
- Selective Assets Trust (Ord. & Index Uns. Ln.) (Investment Trusts)
- Vosper Thornycroft (Engineering)

FINANCIAL TIMES STOCK INDICES

	Apr. 15	Apr. 14	Apr. 13	Apr. 12	Apr. 11	Apr. 8	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs.	91.26	91.09	91.09	91.07	91.05	91.01	91.26	86.97	127.4	49.18
Fixed Interest	97.92	97.99	98.04	97.74	97.81	97.50	98.04	94.14	105.4	50.53
Ordinary	1415.7	1416.2	1435.0	1433.7	1433.8	1413.4	1478.7	1349.0	1926.2	49.4
Gold Mines	217.5	216.6	220.7	220.9	221.3	221.4	312.5	216.6	734.7	43.5
FT-Act All Share	915.11	919.31	928.13	925.16	926.39	913.14	951.46	870.19	1238.57	61.92
FT-SE 100	1778.6	1787.2	1810.4	1805.3	1810.5	1779.7	1855.5	1694.5	2443.4	986.9

CONTRACTS

Victoria Station redevelopment

SIR ROBERT McALPINE MANAGEMENT CONTRACTORS has begun work on the £70m development over Victoria railway station for Greycoat Victoria. Situated over the southern part of the station, between the Eccleston and Elizabeth bridges, and covering an area of 16,050 sq metres, the six-storey building of steel frame construction will rise from an elevated deck 6 metres above platforms 9 - 19. This deck will be supported on steel columns and large diameter bored piles formed below the platforms.

The foundations and the concrete deck, supported by 2000 tonnes of structural steelwork, will be installed prior to the removal of the existing roof. To overcome the very limited headroom special piling rigs will be used and the programmed possession of platforms and tracks will keep disruption to a minimum within one of London's busiest rail terminals.

The building, providing a net 33,445 sq metres of office accommodation and 1486 sq metres retail area, will be clad in tinted glass within a white finish aluminium frame using two separate skins one metre apart to absorb solar-gain and minimise heat loss in winter.

The fully air-conditioned building will have atria with landscaped terraces, a glass covered central square, 15 passenger lifts, eight of which are a wall climbing panoramic design.

A new service road at the rear will provide further access to bus stands and parking. Arup Associates will be carrying out all the professional services for the project which is due for completion in the autumn of 1990.

Lutterworth retailing complex

FAIRCLOUGH BUILDING, eastern division, has won a £22m design-and-build contract for the first two distribution units on Magna Park, Lutterworth, claimed to be the biggest development for the distribution industry in Europe.

For superstore retailers ASDA, Fairclough's regional office in Leicester is designing and constructing a 330,000 sq ft part-refrigerated distribution facility for fast-moving groceries and perishables, and a similar 300,000 sq ft unit for housewares, toiletries and non-perishable grocery products.

The company is also designing and building a two-storey office block within the distribution complex.

Civic centre at Oceanside

A $17.7m (£9.5m) contract to build a civic centre for the city of Oceanside, belived to be one of the fastest growing cities in the southern California county of San Diego, has been awarded to TAYLOR WOODROW CONSTRUCTION CORPORATION, New York.

The contract was placed by the Public Services Department of the city of Oceanside, which is 36 miles north of San Diego. Facilities to be built include the three-storey north and south parts of the city hall and a two-storey library. The city hall north building will also have car parking on two basement levels. The overall development will have a total floor area of 234,390 sq ft.

All the buildings will have a mixture of reinforced concrete walls and structural steel frames with lightweight concrete floors on metal decking. The parking area in city hall north will have reinforced concrete frame and post-tensional concrete decks.

Building concert hall facilities in Glasgow

Glasgow's new £24m concert hall is to be built by BOVIS CONSTRUCTION (SCOTLAND). The management contract was awarded by Glasgow District Council and work on the project begins today.

The 27-month construction programme is appropriately scheduled for completion in mid-1990, the year in which Glasgow will carry the title of "European City of Culture".

The central feature of the concert hall will be a 2,850 seat auditorium, with tiered seating, balconies and a stage lift. Upper and lower foyers will also double as multi-purpose exhibition reception areas. There will also be a conference hall, restaurant and bars.

The ground floor will incorporate the shell for a number of shop units which it is intended will eventually link with a proposed retail and office development to be built adjacent to the concert hall.

Insitu reinforced concrete will be used for the main structure with 7,500 sq metres of stonework cladding on three sides of the building.

£14m workload for Lilley

FJC LILLEY has won contract awards totalling £14m secured by its Cumbrian subsidiary, The Eden Construction Group. The largest is a railway development at Sellafield for British Nuclear Fuels, valued at £7.2m. A further contract for resurfacing at Sellafield has also been received.

Eden is to extend the ASDA superstore, Barrow in Furness at a cost of £1.1m and will also construct an office building in Ashington, Northumberland (£860,000).

Other large contracts include a Mercedes garage and workshops in Glasgow (£730,000), strengthening of the A74 carriageway at Ecclefechan, Dumfries and Galloway (£690,000), topside deck repairs to the Tyne Tunnel (£350,000) and alterations to the Cumberland Building Society offices at Carlisle (£360,000).

Eden's Manchester-based Wade/Lawlor division is responsible for £1.2m of the new awards and its contracts include the redecking of Wilmslow Bridge (£390,000) and Brightside Lane sewer for Sheffield city (£287,000).

DIARY DATES

PARLIAMENTARY

TODAY

Commons: Progress on remaining stages of Local Government Finance Bill.
Lords: Education Reform Bill, second reading.
Select committee: Public accounts: subject, review of Scottish new towns. Witness: Mr J Scott, Secretary of the Industry Department for Scotland. (Room 16, 4.15 pm.)

TOMORROW

Commons: Progress on Local Government Finance Bill. Motion on Local Government Finance Bill and on the Standard and Collective Charges (Scotland) Regulations.
Lords: Court of Session Bill, committee stage. Education Reform Bill, second reading. Question to Government on the strength of the reserve forces and plans for enhancement.
Select committee: private bills – South Yorkshire Light Rail Transit. (Room 5, 10.30 am.) Hampshire (Lyndhurst Bypass). (Room 6, 11.00 am.)

WEDNESDAY

Commons: progress on Local Government Finance Bill. Motion relating to the Personal Community Charge (Students) Scotland Regulations.
Lords: debate on state of public transport and problems of traffic congestion. Protection of Official Information (No 2) Bill, second reading.
Select committees: Trade and Industry: subject, information technology. Witnesses: Computer Services Association; CAP and Logica; Coopers and Lybrand; Touche Ross (Room 15, 10.15 am.)

Foreign Affairs: subject, UK policy on the Iran-Iraq conflict. Witnesses: Officials from the Foreign and Commonwealth Office, Ministry of Defence, and Department of Transport. (Room 16, 10:30 am.)

Welsh Affairs: subject, inward investment into Wales. Witnesses: Scottish Development Agency; Locate in Scotland; Livingston Development Corporation (Room 17, 10:45 am.)

Defence: subject, major defence projects: Foxhunter radar, ALARM missile, Harrier GR5. Witness: Ministry of Defence. (Room 21, 10:50 am.)

Employment: subject, urban development corporations. Witnesses: Officials of London Docklands Development Corporation. (Room 15, 4:15 pm.)

Home Affairs: subject, broadcasting. Witnesses: Department of Trade and Industry officials. (Room 19, 4:15 pm.)

Public Accounts: subject, management of the collections of the English national museums and galleries. Witnesses: Mr R Wilding, Office and Arts of Libraries; Sir David Wilson, British Museums; Mrs Esteve-coll, Victoria and Albert Museum (Room 16, 4:15 pm.)

Social Services: subject, resourcing the NHS. Witnesses: British Medical Association; Medical Practitioners' Union. (Room 21, 4:15 pm.)

Transport: subject, Public Expenditure White Paper. Witness: Department of Transport officials. (Room 17, 4:15 pm.)

Education, Science and Arts: subject, educational provisions for the under-fives. Witness; Lady Plowden. (Room 20, 4:30 pm.)

Foreign Affairs: subject, Foreign and Commonwealth Office and Overseas Development Association expenditure. Witnesses: ODA officials (Room 7, 4:30 pm.)

Trade and Industry: subject, information technology. Witnesses; Mr Brian Oakley of Logica and Mr David Butler of Butler and Cox. (Room 8, 4:30 pm.)

THURSDAY

Commons: Progress on Local Government Finance Bill.
Lords: Regional Development Grants (Termination) Bill, third reading. Public Utility Transfers and Water Charges Bill, third reading. Immigration Bill, third reading. Question to Government on security of investment in Airbus 320, 330 and 340.
Select committees: Hampshire (Lyndhurst Bypass). (Room 6, 10:30 am.)
South Yorkshire Light Rail Transit (Room 5, 10:30 am.)

FRIDAY

Commons: Private members' bills.

FINANCIAL

TODAY

COMPANY MEETINGS–
Automated Security, 239 City Road, E.C., 12.00
INOCO, Watermen's Hall, 16 St Mary at Hill, E.C., 10.00
Investing in Success Equities, James House, 1 Babmaes Street, St James's, S.W., 12.00
Northern Engineering Industries, Gosforth Park Hotel, Newcastle, 12.00
Spring Ram, Spring Bank Industrial Estate, Sowerby Bridge, Halifax, 12.00
TR Pacific Inv Tst, Mermaid House, 2 Puddle Dock, E.C., 12.45
BOARD MEETINGS–
Finals:
Boosey & Hawkes
Broad Street Group
Chesterfield Resources
Costain Property
Dares Estates
EIS Group
Edinburgh Inv. Tst.
Explorers Gold
Hyman
Kelsen
Martonair
McCarthy
Morgan Crucible
Mowlem (John)
Parkdale Hldgs.
Scottish Ice Rink
Tie Rack
Top Value Inds.
Interims:
Crane & Eastern Inv.
New Cavendish Estates
DIVIDEND AND INTEREST PAYMENTS–
Allied London Properties 5¼pc Cnv Red Prf 2.725p
Bank Leumi (U.K.) 8.5p
Channel Islands & Intl Inv Tst 1.05p
Conversion 9½pc 2005 4.75pc
DPCE Hldgs 0.7p
Nova Scotia 11¼pc Ln 2019 5.875pc
Treasury 9½pc Cnv 1989 4.75pc
Trencherwood 2.75p
Trust of Property Shares 0.667p
Wyevale Garden Centres 2.17p

TOMORROW

COMPANY MEETINGS–
BICC, Confederation of British Industry, Centre Point, 103 New Oxford Street, W.C., 12.00
Commercial Union Assurance, Baltic Exchange, St Mary Axe, E.C., 12.00
English & Scottish Investors, Gartmore House, 16-18 Monument Street, E.C., 3.45
Fairway (London), 55 Holborn Viaduct, E.C., 12.30
First Scottish American Tst, Belsize House, West Ferry, Dundee, 12.00
BOARD MEETINGS–
Finals:
Ashley (Laura)
Bodycote Intl.
CPU Computers
Conder Group
Ex–Lands
First Charlotte Assets Tst.
Frost Group
Geers Gross
Gold & Base Metal
Hammerson Property
Hartons Group
Sindall (William)
Taylor Woodrow
W.A. Hldgs.
Yule Catto
Interims:
Humberside Electronic Controls
Regina Health & Beauty Products
DIVIDEND AND INTEREST PAYMENTS–
Anglo & Overseas Trust 5p
Davies (D.Y.) 1p
New Kleinfontein Properties 2.52906p

WEDNESDAY APRIL 20

COMPANY MEETINGS–
Anglia Television, Studio E, Magdalen Street, Norwich, 12.00
British Vita, British Vita Corporate Centre, Oldham Road, Middleton, Manchester, 12.15
Citygrove, Dorchester Hotel, Park Lane, W., 10.00
Johnstone's Paints, Albert House, Jowetts Walk, Manchester Road, Ashton-Under-Lyme, 11.15
Lloyds Bank, 71 Lombard Street, E.C., 3.00
Memec, Hotel Russell, Russell Square, W.C., 11.30
BOARD MEETINGS–
Finals:
Bank of Scotland
Brown & Jackson
Carlton Inds
Costain Group
Hawker Siddeley
Intl. Business Communications
Jaques Vert
Kalon Group
Kentish Property
Laporte Industrial Hldgs.
Mersey Docks
Parambe
Reed (Austin)
Singer & Friedlander
Southend Property
Interims:
Biotechnology Invs.
Kwik Save
St. Ives Group
Wade Potteries
DIVIDEND AND INTEREST PAYMNETS–
Brierly Invs NZ$20.045
British Kidney Patient Ass Inv Tst 7.25p
CALA 0.85p
Cooper (Alan) 3.25p
Coronation Syndicate 13cts
First Scottish American Tst 9p
Hughes Food 0.25p
Islington Corp 11.9pc Red 2017 5.95pc
Paribas French Inv Tst 1.9p
Tweefontein United Collieries 84cts
Wells Fargo 50cts
Yorkshire Chemicals 5p

THURSDAY APRIL 21

COMPANY MEETINGS–
Abbeycrest, St Pauls House, Park Square, Leeds, 2.00
Baltic, Brown's Hotel, Dover Street, W., 11.30
Consolidated Venture Trust, 11 Devonshire Square, E.C., 12.00
Hall Engineering, Birmingham Metropole Hotel, N.E.C., Birmingham, 10.15
Hewitt (J.) & Son (Fenton), North Stafford Hotel, Station Road, Stoke-on-Trent, 12.30
Renaissance Holdings, 45 Loomsbury Square, W.C., 2.30
Royal Insurance, Chartered Insurance Institute, 20 Aldermanbury, E.C., 11.30
Second Market Inv Co, Norfolk House, 13 Southampton Place, W.C., 10.00
Watmoughs, Parkway Hotel, Otley Road, Leeds, 11.15
Wilkes (James), Grosvenor House Hotel, Charter Square, Sheffield, 12.00
BOARD MEETINGS–
Finals:
Brixton Estate
East Rand Gold & Uranium
Epicure Hldgs.
Epwin Group
Etam
Grampian Television
Helical Bar
Hestair
Inchcape
Liberty
Radamec Group
Ropner
Interims:
Broadcast Communications
Govett Strategic Inv. Tst.
Kalamazoo
Orange Free State Invs.
Wellcom Gold Hldgs.
DIVIDEND AND INTEREST PAYMENTS–
Abbeycrest 1.35p
Co-operative Bank Sub Fltg Rate Nts 2000 £111.89 Die Erste Osterreich Spar-Casse Subord Fltg Rate Nts April 1992 $492.45
Fairway (London) 1.5p
Frogmore Estates 2.3p
G.T. Berry Japan Fund 14.34cts
G.T. Dollar Fund 37.4cts
Hewitt (J.) & Son (Fenton) 4p
Johnstone's Paints 3p
National Westminster Bank Gtd Fltg Rate Cap Nts 2005 $482.96

FRIDAY APRIL 22

COMPANY MEETINGS–
Baillie Gifford Shin Nippon, 3 Glenfinlas Street, Edinburgh, 12.00
Cordell Group, The Brewery, Chiswell Street, E.C., 12.00
Fife Indmar, Sneeston Road, Kircaldy, 12.00
Laing Properties, Inn on the Park, Hamilton Place, Park Lane, W., 12.00
Nash Industries, Great Eastern Hotel, Liverpool Street, E.C., 2.00
Rutland Trust, Hyde Park Hotel, Knightsbridge, W., 12.00
Spandex, 700 Waterside Drive, Aztec West, Alondsbury, Bristol, 10.00
Sycamore Holdings, Picadilly Hotel, Manchester, 11.00
Tyne Tees Television, Television Centre, Newcastle upon Tyne, Newcastle, 2.30
BOARD MEETINGS–
Finals:
Cluff Oil
Farnell Electronics
Huntleigh Technology
Nash Inds.
Nelli (James)
Securities Trust Scotland
Systems Reliability
TR Natural Resources
Upton (E.)
Interims:
British Empire Securities & General Trust
Drayton Cons. Trust
Ulster Television
DIVIDEND AND INTEREST PAYMENTS–
Alex Corp 8cts
Alexanders Hldgs 0.73p
Do. "A" Rst-Vtg 0.73p
Alliance Tst 19.5p
Do. 4pc Prf (Cum) 1.4p
Do. 4½pc Prf (Cum) 1.4875p
Do. 5pc Prf 1.75p
Anglo American Gold Inv 725cts
Black (Peter) 0.51p
Bristol & West Building Society Fltg Rate Nts 1992 £111.69
Britannia Building Society Fltg Rate Nts 1996 £223.15
British Assets Tst 0.626p
Electron House 2p
Gimtree 0.3125p
Industrias Penoles SA De C.V. Fltg Rate Nts 1989 £252.78
Interlink Express 3.25p
Kleinwort Overseas Inv Tst 1.6p
NCR Corp 31cts
Parker Knoll 7p
Do. "A" Non-Vtg 7p
Saul (B.F.) Real Estate Inv Tst 5cts
Thomson T-Line 0.8p
Watmoughs 6.25p

SATURDAY APRIL 23

DIVIDEND AND INTEREST PAYMENTS–
Merivale Moore 2.25p
Steetley 4½pc Cum Prf 1.575p

SUNDAY APRIL 24

DIVIDEND AND INTEREST PAYMENTS–
Diploma 7pc Cum Red Prf 2.45p

Trade Fairs and Exhibitions: UK

Current
International Machine Tool & Manufacturing Technology Exhibition – MACH (01-402 4171)(until April 21)
NEC,Birmingham

Current
International Fluid Power Exhibition – IFPEX (0695 58431) (until April 21)
NEC,Birmingham

April 18-21
International Tunnelling Exhibition - TUNNELLING (07072 75641)
Novotel, London

April 24-26
Top Drawer Summer Gift Exhibition (01-727 1929)
Kensington Exhibition Centre, London W8

April 24-28
London International Furniture Show – LIFS (01- 385 1200)
Earls Court

April 26-28
British Electronics Week (0799 26699)
Olympia

April 27-28
National Pig Fair (0473 43011)
Kenilworth

April 30- May 2
Photography Exhibition (01-222 8866)
NEC,Birmingham

Overseas Exhibitions

Current
International Consumer Goods Fair (021- 455 9600) (until April 21)
Brno

Current
International Trade Fair (01- 637 3153) (until April 24)
Milan

April 19-24
International Spring Fair (Zagreb 041/511-666)
Zagreb

April 19-21
International Trade Fair for *Clothing Textiles* – INTERSTOFF (01- 734 0543)
Frankfurt

April 26- May 2
International Machine Tool Show – SIMTOS (01-439 0501)
Seoul

May 3-6
International Vehicle Industry Suppliers Exhibition – SITEV (09403 29406)
Geneva

May 6-12
International Construction & Material Exhibition - CONSTRUCT (01- 236 2399)
Shanghai

Business and management conferences

April 18
Public Issue Conferences: Electricity privatisation (0932 246496)
The Brewery, London EC2

April 18-19
Financial Times Conferences: The challenge to recovery and growth (01-925 2323)
Hotel Inter-Continental, London W1

April 19
DC Gardner & Co: Indexation and passive management (01-283 7962)
London

April 19-21
The Institute of Manpower Studies: Career management systems (0273 686751)
Brighton

April 20
CBI Conferences: Pipe-line management- a way of unifying company operations (01-379 7400)
Centre Point,London WC2

April 21
World Energy Business: International oil & gas forum and workshop (01-629 7611)
Royal Garden Hotel, London W8

April 25-26
Business Research International: Mortgage finance in the 1990's (01-637 4383)
Portman Hotel, London W1

April 26
CBI Conferences: Strategy for design (01-379 7400)
Centre Point,London

April 26-28
The Industrial Society: Industrial relations for senior managers (01-839 4300)
3 Carlton House Terrace, London SW3

April 26
Dun & Bradstreet: Understanding insolvency (01-631 3434)
Kingsley Hotel, London WC1

April 29
The Economist/CBI Conferences: 1992: The new Europe – getting to grips with the competition (01-379 7400)
Centre Point, London WC1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes in the details published

Contracts & Tenders

INVITATION TO BID PREQUALIFICATION

PHILIPPINE NATIONAL OIL COMPANY ENERGY DEVELOPMENT CORPORATION

110MW BACON-MANITO I GEOTHERMAL PROJECT FLUID COLLECTION AND DISPOSAL SYSTEM

The PNOC-Energy Development Corporation (PNOC-EDC) has applied for a loan from the International Bank for Reconstruction and Development (IBRD World Bank) towards the cost of 110 MW Bacman I Geothermal Project and it is intended that part of the proceeds of this loan will be applied to eligible payments under the Contract for:

BID NO. 31.0/6a Construction Prequalification

The PNOC-EDC now invites eligible bidders to prequalify for the Main Construction Contract to cover the following required services:
- installation and insulation of Geothermal Fluid pipelines with diameter ranging from 250 to 1070 millimeter and its appurtenant mechanical equipment.
- Construction of related civil-structural works such as access road, thermal pond, pipeline corridor, separator vessel station, pipe and equipment support, pipe and road bridges, drainage works.
- Testing and Commissioning of the system.

A complete set of Prequalification Document may be purchased (P200.00) on submission of a written application from PNOC-EDC. Contract Administration Office, Rm. 1203 Building 1, Merritt Road, Fort Bonifacio, Philippines (Tel: 8158961: Telex 722-2666 EDC PH). All prequalification bids must be delivered to the above office on or before 12 Noon, 23 May 1988 and must be accompanied by a bid bond of P 500.000.00 with a validity of 240 calendar days.

Bid Documents and drawings will be issued, on or before 5 August 1988, only to prequalifying bidders. No documents shall be issued to bidders who have not applied for the prequalification invitation.

NC Vasquez
Implementing Officer

Conferences

AGRICULTURAL SEMINAR INVESTMENT OPPORTUNITIES IN AUSTRALIA WEDNESDAY 27TH APRIL 1988 AT THE AUSTRALIAN HIGH COMMISSION, AUSTRALIA HOUSE, STRAND, LONDON, WC2

The Western Australian Government, in association with others are holding a half-day Seminar on Australian agricultural investment opportunities.

This Seminar is designed to provide detailed information on the current range of investment opportunities available in Australia for the private and corporate investor, it will provide an overview of the Australian agricultural industry, highlighting the development of new and expanding markets for our agricultural produce in South East Asia, and the Australian Government's policy on overseas investment.

Admission is strictly by ticket.
For further information please–
01-240-2881
or
847482 2969

SOCIETE DE DEVELOPPEMENT REGIONAL EMPRUNT GROUPE DE 30.000.000 D'ECUS 14 % 1982-1992

We inform the bondholders that the redemption instalment of ECU 3.750.000.-, nominal due on 1st June, 1988, has been satisfied by a drawing on March 28, 1988, in Luxembourg in the presence of an huissier. The 3.750 drawn bonds will be reimbursed at par on June 1st, 1988.

In accordance with the terms and conditions of the bonds, the issuer has elected to redeem anticipatively all of its outstanding bonds at 102 % on June 1st, 1988.

Interest on the bonds will cease to accrue on June 1st, 1988.

The bonds (drawn or called anticipatively) will be reimbursed, coupons nr 7 due June 1st 1989 and following attached.

The numbers of the drawn bonds and redeemable at par as follows:

16103 to 19852

The following bonds called for redemption have not yet been presented for the payment:

On June 1st, 1985

9620	9878 - 9880	9903 - 9905	10030 - 10036
10456 - 10458	10476 - 10477	10504 - 10508	10639 - 10640
10680 - 10684	10721 - 10722	10737 - 10753	10756 - 10758
10764 - 10769	10777 - 10781	10797 - 10799	10852 - 10854
10880	11023 - 11028	11040 - 11041	11111 - 11115
11183 - 11184	11211 - 11216	11294 - 11313	11321 - 11324
11477 - 11478	11539 - 11540	11660 - 11661	11708 - 11710
11712 - 11723	11728 - 11743	11750	11754 - 11762
11929 - 11934	12019 - 12021	12140 - 12143	12256 - 12257
13152 - 13153	13168		

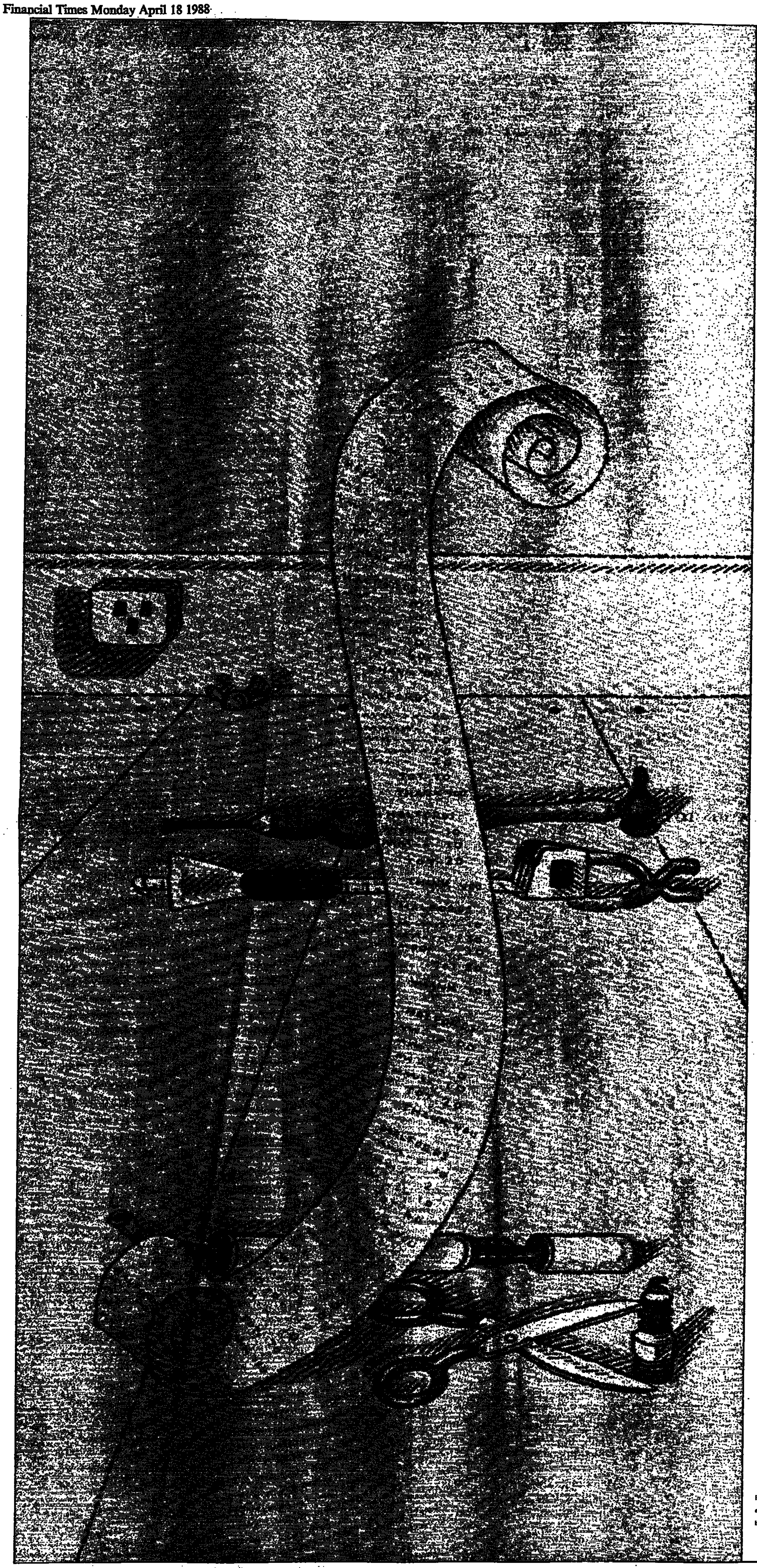
On June 1st, 1986

24193 - 24202	24256 - 24267	24288 - 24293	24407 - 24409
24573 - 24577	24584	24611 - 24617	24624
24663 - 24664	24704 - 24708	24710 - 24711	24721 - 24726
24737 - 24756	24771	24805	24807 - 24810
24823 - 24825	24833 - 24840	24845 - 24852	24887 - 24895
25199 - 25201	25247	25272 - 25273	25284 - 25286
25328 - 25336	25380	25398 - 25399	25440 - 25455
25462	25466 - 25484	25496 - 25499	25507 - 25546
25613 - 25624	25631 - 25634	25641	25649 - 25659
25670 - 25671	25691	25714 - 25719	25730 - 25751
25771 - 25801	25840 - 25848	25863 - 25865	25869 - 25871
25920 - 25929	25932	26013	26018 - 26021
26058 - 26063	26087	26094	26352 - 26365
26433 - 26434	26438 - 26443	26461	26537 - 26542
26547 - 26548	26569 - 26573	26607 - 26637	26831
26890	26969 - 26970	27016	27020 - 27021
27024 - 27025	27032 - 27062	27099 - 27103	27292 - 27293
27296 - 27297	27314 - 27320	27335 - 27336	27342 - 27352
27369 - 27372	27487 - 27488	27508 - 27510	27516 - 27535
27623 - 27633	27669 - 27677	27724 - 27761	27764 - 27765
27803 - 27816	27827 - 27832	27836	27838 - 27883
27893 - 27919	27939		

On June 1st, 1987

2354 - 2366	2369	2371 - 2373	2377 - 2393
2397	2399 - 2415	2418 - 2421	2426
2432 - 2434	2439	2446 - 2449	2470 - 2493
2496 - 2663	2691 - 2700	2730 - 2745	2748 - 2749
2758	2765	2772 - 2778	2780 - 2817
2837 - 2840	2842 - 2848	2859 - 2870	2872 - 2875
3003 - 3007	3018 - 3019	3060 - 3089	3117 - 3118
3146 - 3159	3161	3165 - 3166	3178
3197 - 3202	3207 - 3209	3220 - 3223	3253 - 3284
3294 - 3323	3331 - 3332	3353 - 3360	3380
3394 - 3407	3420 - 3438	3460 - 3468	3486 - 3495
3512 - 3515	3593	3599	3601 - 3630
3633 - 3636	3638 - 3643	3686 - 3690	3697 - 3703
3714 - 3725	3728 - 3732	3766 - 3768	3803 - 3806
3816 - 3820	3827 - 3834	3839 - 3846	3869 - 3876
3878 - 3881	3890 - 3891	3908 - 3927	3944 - 3946
3978 - 3982	3997 - 3999	4001 - 4007	4010
4079 - 4088	4092 - 4191	4202 - 4203	4208 - 4212
4231 - 4233	4248 - 4257	4298	4339 - 4344
4371 - 4374	4392 - 4393	4423 - 4424	4451 - 4468
4554 - 4562	4576 - 4579	4634 - 4636	4648 - 4652
4661 - 4701	4710 - 4759	4761 - 4765	4799 - 4808
4810 - 4829	4834 - 4841	4846	4862 - 4863
4865 - 4870	4889 - 4894	4898 - 4909	4952 - 4955
5001 - 5004	5075 - 5076	5078 - 5087	5217 - 5219
5267 - 5269	5276 - 5327	5331 - 5333	5342 - 5344
5346 - 5353	5370 - 5413	5417 - 5422	5429 - 5439
5448 - 5457	5459 - 5466	5475 - 5498	5513 - 5514
5525 - 5540	5624 - 5665	5669 - 5688	5818 - 5822
5841 - 5846	5852 - 5856	5858 - 5862	5873 - 5883

The Principal Paying Agent
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, Avenue Emile Reuter
LUXEMBOURG



LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1988 High	1988 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
‡	F.P.	-	195	185	Acre Oil 50p	195	+9	W3.5	2.1	2.4	26.5
132	F.P.	-	150	136	‡Assoc. Nursing Servs 10p	136	-4	b2.0	3.6	2.0	18.3
95	F.P.	12/5	98	94	‡B W D. Securities	94	-1	u3.75	3.3	5.3	7.6
330	120	-	79	70	British Petroleum	76½	-1½	M12.5	1.5	5.8	14.3
-	F.P.	-	12	4	Colless Hldgs. Wrrnts	12	+1	-	-	-	-
h0.40	F.P.	-	70	47	Feltrim Mining h0.20	56	-1	-	-	-	-
†	F.P.	-	405	225	‡GWR Group 20p	335	-10	-	-	-	13.2
§140	F.P.	-	157	135	‡Gardner DC 5p	153		L3.0	2.9	2.6	17.5
§30	F.P.	30/3	48	38½	Gardiner Group 5p	45	-1	b0.75	3.9	2.2	15.3
140	F.P.	10/6	148	141	‡Holders Technology 10p	141		n6.0	2.0	5.7	11.6
§64	F.P.	20/4	80	64	‡Hughes (H.T.) 10p	75	-2	b2.25	2.1	4.0	13.9
73	F.P.	22/4	81	74	‡MTL Instruments Grp 10p	75		u2.0	3.3	3.6	11.4
-	F.P.	-	57	40	Marievale "S"	57		-	-	-	-
-	F.P.	-	13	5	Oceonics Group Wrrnts	11½	-1	-	-	-	-
50	F.P.	-	50	50	°Pennine Optical 2½p	50		-	-	-	13.5
97	F.P.	7/4	126	100	Psion 5p	118	-2	u1.75	4.3	2.0	15.8
14	F.P.	25/4	17½	15	‡Resort Hotels 10p	17½		R0.42	2.5	3.2	14.3
20	F.P.	-	21	19	Riv & Merc Am Cap Tst 10p	20		-	-	-	-
100	F.P.	-	102	100	Do. Inc. Tst	102		b6.2	-	8.1	-
20	F.P.	-	10	7½	Do. Wrrnts Tst 10p	8		-	-	-	-
§85	F.P.	-	86	83	‡Total Systems 5p	86		R2.5	2.1	3.9	16.0
§50	F.P.	13/4	63	58	‡Tranwood Hldgs 10p	60		b2.0	2.0	4.4	15.4
23	F.P.	-	25	15	Tullow Oil 10p	15	-1	-	-	-	-
135	F.P.	22/4	151	136	U K Paper 10p	140	-3	R5.0	2.8	4.8	8.3

FIXED INTEREST STOCKS

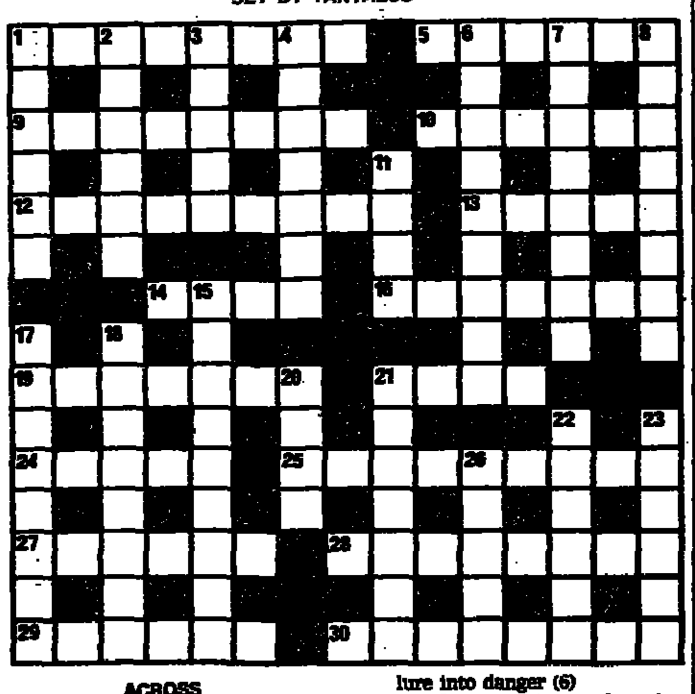
Issue Price £	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price £	+ or -
100	F.P.	-	113	111	Adscene group 7¾pc Cv. Cm. Rd. Pf	111	
100	F.P.	-	110	102	B M Group 4.6pc Net Cv Cm Rd Pf 20p	102	
100	F.P.	-	76	69	Emery International 5¼pc Cv Cm Rd Pf	76	+1
100	£25	19/8	25½	24½	London Merc. Secs. 10% 1st Mort. 2018	25½	+½
100	F.P.	-	112p	100p	Low (Wm.) 6.75pc Cm Cv Red Prf £1	107p	
-	F.P.	-	100¼	100	N'wide Anglia 9¾ Bd Red 13.3.89	100¼	
-	F.P.	-	100	100	Do. 9⅞pc Bd 17.4.89	100	
100	F.P.	29/4	107p	100p	‡Smallbone 7.25p Con.Red.Ptg.Prf £1	105p	-1

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price p	+ or -
35	Nil	-	11pm	8pm	Compsoft Holdings	8pm	
20	Nil	-	36pm	29pm	F & H Group	36pm	+6
55	Nil	27/5	55pm	45pm	Kleen-E-Ze hldgs	50pm	
165	Nil	20/5	51pm	36pm	Leigh Interest	50pm	-1
236	Nil	14/6	52pm	35pm	Logica 10p	46pm	+4
500	Nil	-	52pm	39pm	Lucas Inds.	39pm	-3
140	Nil	-	38pm	26pm	Persimmon	38pm	+1
98	Nil	17/6	7pm	2½pm	Tootal	3pm	+½
225	Nil	-	30pm	30pm	Wickes	30pm	
25	Nil	-	7pm	5pm	‡Williams (J)	6½pm	

Renunciation date usually last day for dealing free of stamp duty a Annualised dividend b Figures based on prospectus estimates d Dividend rate paid or payable on part of capital, cover based on dividend on full capital g Assumed dividend and yield u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ψ Issued by tender ‡ Offered to holders of ordinary shares as a "rights". † Introduction §Placing price. †† Reintroduction ϕ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ‡ Unlisted securities market. ϕ Official London listing. ☐ Including warrants entitlement. ° Third Market.

FT CROSSWORD No.6,608
SET BY TANTALUS



ACROSS
1 Dramatist had siren in play (8)
5 Plant economy (6)
9 Rescue tailless dog (8)
10 Is king returning to part of SW Asia? (6)
12 Unusual names as in patient's medical history (9)
13 Consumed at school so to speak (5)
14 Knocks back in bar (4)
16 Record one does change for part of series (7)
19 Start in new conveyance (7)
21 Back a horse with Irish money (4)
24 Fibre tiles *manufactured* (5)
25 Praise an adult perhaps entertaining ten (9)
27 A green material could infuriate (6)
28 Feeling sorry for writer having single wine (8)
29 He gets nothing going into attempt philosophy (6)
30 A painful foot? (8)

DOWN
1 The authorities provide knight with vehicle (6)
2 Partner upset – detailed to lure into danger (6)
3 Number one team rises to Thessalian king (5)
4 Teacher may read about power (7)
6 Westerner in a sphere that's quite different (9)
7 Rest during lawsuit? (8)
8 Gifted journalist supports faculty (8)
11 He's next to become a domestic slave in here (4)
15 One in 19 (9)
17 Piercing with sea-god's first spear (8)
18 Knock up French earth to make ornamental garden (8)
20 Student allowed up to speak (4)
21 Wise puritan with set of books (7)
22 Command – member of board has no alternative (6)
23 Joins United Nations – it's accepted English (6)
26 Poor 10 loses son but meets angel (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday April 30.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Scottish Equitable Fund Mgrs. Ltd(z)
28 St Andrews Sq, Edinburgh 031-556 1051

Intl Income	190.3	198.3xd	—	3.21
Intl Accum	200.0	212.2xd	—	3.21
UK General Acc	37.7	40.2	-1.0	3.38
UK General Inc	36.3	38.7	-0.9	3.38
American	26.8	28.6	-0.9	2.13
European	35.3	37.6	-0.2	1.26
Japan	59.3	63.2	-1.2	0.03
Technology	34.6	36.9xd	-0.8	2.29
Performance Trusts				
Far East Perf	19.0	20.3	-0.9	2.00
High Inc Perf Inc	23.8	25.4	-0.4	5.36
High Inc Perf Acc	24.3	25.9	-0.5	5.36
W'wide Tact Perf	28.1	30.0xd	-0.4	2.72

Scottish Life Investments(z)
19 St Andrew Sq, Edinburgh 031-225 2211

Nelson (UK)	207.3	221.8	-8.3	2.7
Columbus (US)	125.4	134.2	-7.5	1.53
Marco Polo (Pac)	220.3	235.7	-6.3	0.16
Da Vinci (Eur)	224.0	239.6	-3.9	1.61
Drake (Wld)	52.4	56.1	-1.1	2.22

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HN 041-248 6100

UK Equity	202.1	215.1	-4.5	2.74
UK Smllr Cos Equity	206.6	219.8	-3.9	1.97
UK Spec Sits	61.1	65.1	-0.8	2.89
Income Plus	52.7	56.1	-0.6	5.54
European	161.3	171.7	-2.6	1.24
Far Eastern	53.5	57.0	-1.9	1.05
Japanese †	57.2	60.9	-1.1	—
North American	108.1	115.1	-3.3	1.55
Intl Growth	108.4	115.4	-4.5	0.95
Worldwide Venture	52.6	56.0	-0.9	3.26

Scottish Provident Inv. Mgt. Ltd
6 St Andrew Sq, Edinburgh 2 031-556 2341/2/3

Equity Growth Acc	17.57	18.81	-0.26	3.16
Equity Growth Inc	17.41	18.63	-0.26	3.16
Intl Growth Acc	17.09	18.29	-0.82	1.68
Intl Growth Inc	16.99	18.18	-0.82	1.68
Global Income Acc	18.81	20.13	-0.17	5.38
Global Income Inc	18.81	20.13	-0.17	5.38
Market Leaders Acc	16.31	17.46	-0.28	3.33
Market Leaders Inc	16.10	17.29	-0.27	3.33

Scottish Unit Managers
48 Melville Street, Edinburgh EH3 7HF 031-226 4372

Pacific (z)	83.1	88.3	-2.0	0.00
Income	52.5	55.8	-1.0	4.03
European (z)	[illegible]	[illegible]	[illegible]	[illegible]

UK Unit Trust Managers Ltd
Worthing Road, Horsham, RH12 1SL 0403 40033

British Growth	58.4	62.2	-0.6	1.72
Technical Analysis	49.9	53.1	-0.9	3.42

Unit Trust Account & Mgmt. Ltd
20 Copthall Ave, London, EC2R 7PR 01-588 6064
Advisers Henderson Crosthwaite Ltd

Friars Hse Cap	176.0	188.1	—	3.54
Friars Hse Inc	149.7	157.6	—	5.5

United Charities Unit Trusts (a)(c)(g)
Unicorn Hse, 252 Romford Rd, E7. 01-534 5544

United Charities	164.5	177.4xd	-0.91	4.79

Vanguard Trust Managers Ltd (z)
65 Holborn Viaduct, London EC1A 2EU 01-236 3053
Dealing Line: 01-236 2468

Blackfriars	188.5	200.5xd	+5.7	1.36
(Accum Units)	192.7	205.0	+5.8	1.36
Far East & Gen	56.3	59.9	-0.8	—
(Accum Units)	56.3	59.9	-0.8	—
Master Portfolio	66.714	68.425xd	-0.221	3.01
(Accum Units)	68.843	70.608	-0.228	3.01
American & Gen	53.4	56.8xd	-2.7	1.82
(Accum Units)	54.9	58.4	-2.7	1.82
Growth	214.6	228.3xd	-0.7	2.46
(Accum Units)	323.7	344.4	-1.0	2.46
High Yield	268.5	285.6	-0.6	4.42
(Accum Units)	288.0	306.4	-0.5	4.42
Special Sits	53.1	56.5	-0.1	2.18
(Accum Units)	54.8	58.3	-0.1	2.18
Trustee	157.4	167.4xd	-0.8	4.13
(Accum Units)	255.6	271.9	-1.2	4.13
European Inc	37.0	39.4	-0.1	0.60
(Accum Units)	37.2	39.6	-0.1	0.60

Wardley Unit Trust Managers Ltd (a)
99, Bishopsgate, London, EC2P 2LA. 01-374 0061

American	49.7	53.1	—	1.5
Intl Growth	65.0	68.7	-1.9	0.4
Income	110.3	117.9xd	-0.7	5.5
Japan Growth	179.2	191.6	—	0.1
Pacific Perf	114.2	120.8	—	0.4
Small Co's	137.4	146.9	-2.4	1.6
Technology	31.7	33.9xd	-1.0	0.1
Australia	47.6	50.9	—	1.3
UK Trust	157.2	166.3	-2.4	2.7
European Growth	41.0	43.3	-0.7	0.1
Hong Kong	25.1	26.5xd	—	1.3
Intl Income	19.4	20.6	-0.2	8.5
S'pore & Mlysa Gth	17.8	18.9	—	1.0
British Winners	24.7	26.2xd	-0.3	4.0

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941

Life Assurance Funds				
Wealth Assoc.	381.5	401.5	—	–
Eb'r Ph. Eq.	341.0	362.5	—	–
Pension Plan Funds				
Phoenix				
UK Equity Acc.	163.4	171.9	-4.3	–
International Acc.	124.8	131.3	-4.5	–
Property Acc.	127.8	134.5	+0.1	–
Fixed Interest Acc.	157.3	165.5	---	–
Money Acc.	138.3	145.5	+0.1	–
Bldg. Soc. Link Acc.	135.3	142.4	+0.1	–
Special Mngd. Acc.	145.9	153.5	-2.9	–
Phoenix/Framlington				
Intnl. Growth Acc.	89.1	93.7	-0.2	–
Amer. & Gen. Acc.	84.6	89.0	+0.2	–
Capital Tst. Acc.	171.0	180.0	+0.9	–
Japan & Gen Acc.	191.1	201.1	+1.6	–
American Turn. Acc.	87.5	92.1	-0.1	–
Recovery Tst. Acc.	172.4	181.4	+0.4	–
Special Mngd Acc.	144.3	151.8	+0.5	–
Phoenix/GT				
International Acc.	122.5	128.9	+0.2	–
US & General Acc.	89.1	93.7	-1.1	–
Amer Spec Sits Acc.	65.7	69.1	-0.6	–
Japan & General Acc.	183.3	192.9	+0.7	–
Far East & Gen Acc.	144.1	151.6	+0.3	–
UK Capital Acc.	171.4	180.4	-1.0	–
European Acc.	133.3	140.3	+0.9	–
Special Mngd. Acc.	126.0	132.6	-0.6	–

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd. N Waterloo, Liverpool 051-928 6655

Managed Fund	263.8	277.7	—	–
Man Pens Inc & Cap Fds	336.4	354.2	—	–
Money Fund	112.0	117.9	—	–
Pens Mngd Fd (Init)	83.1	87.5	—	–
Pens Mngd Fd (Acc)	94.0	99.0	—	–
Pens FT30 Fd (Init)	126.7	133.4	—	–
Pens FT30 Fd (Acc)	143.4	151.0	—	–
Pens O'seas MngFd(Init)	56.7	59.7	—	–
Pens O'seas MngFd(Acc)	64.1	67.5	—	–
Pens Fxd Int Fd (Init)	106.6	112.3	—	–
Pens Fxd Int Fd (Acc)	120.7	127.1	—	–
Pens Deposit Fd (Init)	101.1	106.5	—	–

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222

Prufund				
Managed Apr 13	199.1	207.4	—	–

Prudential Holborn Life Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed Fd.	419.0	441.1	-4.8	–
Equity Fd.	828.2	871.8	-48.2	–
Intnl. Fd.	292.4	307.8	-8.5	–
Fixed Int. Fd.	369.5	389.0	+0.7	–
Prop. Fd.	317.3	334.1	—	–
Cash Fd.	235.9	248.4	—	–
Pacific Basin Fd.	171.2	180.3	-3.0	–
North American Fd.	117.9	124.2	-5.2	–
European Fd.	120.9	127.3	-0.7	–
Holborn Balanced Gwth Fd	98.67	103.8	-0.9	–
Holborn Strategic Gwth Fd	97.4	102.6	-0.3	–

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed	453.4	477.3	-7.6	–
Equity	630.5	663.7	-16.1	–
Global Equity	188.5	198.5	-3.3	–
Fixed Interest	382.7	402.9	+1.5	–
Property	312.5	329.0	+0.1	–
Cash	139.1	146.5	---	–
Index Linked Gilt	167.1	175.9	-0.6	–
Guaranteed	8.43	–	---	–
International Money	183.7	193.4	+0.5	–
North American Fd.	56.1	59.1	—	–
Japanese Fund	126.5	133.2	—	–
European Fund	68.9	72.6	—	–
Special Situations Fd	92.5	97.4	—	–
Communications Fund	79.9	84.2	—	–
Smaller Cos Fund	95.2	100.3	—	–

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

Discretry Apr 6	£121.46	124.88	—	–
Equity Fund Apr 6	£129.04	132.92	—	–
Intnl Fund Apr 6	£19.77	20.41	—	–
Intl Bond Fd Apr 6	£10.10	10.24	—	–
Fixed Int Apr 6	£68.37	69.77	—	–

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

FT UNIT TRUST INFORMATION SERVICE

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Amount Listed £m	Stock	Price £	Red. Yld.	Last xd	Interest Due
1,450	Exch 10½pc '88	100⅞	9.80	5.4	10Mar 10May
1,148	Treas 9¾pc Cv '88	100⅞	9.98	9.11	14Dec 14Jun
1,302	Transport 3pc '78-88	99⅝	6.09	25.11	1Jan 1Jul
2,050	Treas. 9½pc '88	100⅝xd	8.18	21.3	25Apr 25Oct
2,250	Treas 11½pc 1989	102⅞	8.29	18.1	22Aug 22Feb
855	Treas 9½pc Cnv 1989	101½xd	8.30	11.9	18Oct 18Apr
500	Treas 3pc 1989	97⅞	5.80	8.4	15Mar 15May
1,400	Treas 10½pc 1989	102⅞	8.41	9.11	14Dec 14Jun
2,400	Exch 10pc 1989	101⅞	8.42	29.12	1Feb 1Aug
2,000	Exch 11pc 1989	103⅝	8.46	24.2	29Mar 29Sep
601	Treas 5pc 1986-89	97¼xd	7.04	9.3	15Apr 15Oct
535	Exch 10¼pcCv '89	104⅞	7.42	8.4	15May 15Nov
1,000	Treas 13pc 1990‡‡	107⅞	8.35	9.12	15Jul 15Jan
1,400	Exch 11pc 1990‡‡	104⅞	8.40	6.1	12Aug 12Feb
1,250	Exch. 12½pc 1990	107	8.44	17.8	22Sep 22Mar
550	Treas. 3pc 1990	93⅞xd	6.26	5.4	8Nov 8May
600	Treas 8¼pc 1987-90‡‡	99⅞	8.43	9.11	15Dec 15Jun
1,000	Treas. 8pc Cv 1990	101⅝	7.12	–	16Jul 16Jan
1,887	Treas. 10pcCv 1990	103⅞xd	8.54	21.3	25Apr 25Oct
500	Exch 2½pc 1990	91⅞xd	6.03	16.10	22May 22Nov
2,200	Treas 11¾pc 1991	107½	8.56	4.12	18Jul 18Jan
400	Funding 5¾pc '87-91‡‡	95⅝	7.47	1.9	5Oct 5Apr
400	Treas. 3pc 1991	90⅞xd	6.56	6.4	13Nov 13May
646	Treas 10pc Cv '91 ‡‡	103⅞	8.12	7.12	12Jan 12Jul
1,550	Exch. 11pc 1991	107¼xd	8.56	21.3	25Apr 25Oct
1,350	Treas. 8pc 1991	98⅞	8.55	3.11	10Jun 10Dec
900	Treas 12¾pc 1992‡‡	112⅞	8.64	19.1	22Jul 22Jan
1,600	Treas 10pc 1992	104⅞	8.62	15.1	21Aug 21Feb
1,400	Treas. 8pc 1992 ‡‡	98⅞	8.57	11.6	13Oct 13Apr
1,288	Treas 10½pc Cv 1992‡‡	106⅞	8.66	1.9	7Nov 7May
500	Treas. 3pc 1992	86⅝	6.88	4.11	11Dec 11Jun
1,350	Exch. 12¼pc '92	112⅝	8.73	19.1	25Feb 25Aug
1,757	Exch 13½pc 1992	117	8.74	17.8	22Mar 22Sep
1,850	Treas 10pc 1993‡‡	105⅞xd	8.69	9.3	15Oct 15Apr

Five to Fifteen Years

Amount Listed £m	Stock	Price £	Red. Yld.	Last xd	Interest Due
1,100	Treas 12½pc 1993‡‡	115⅞	8.82	8.12	14Jan 14Jul
600	Funding 6pc 1993‡‡	92⅞	7.59	8.2	15Mar 15Sep
1,250	Treas 13¾pc 1993‡‡	121⅞	8.87	19.10	23May 23Nov
1,050	Treas 8¼pc 1994 (£50pd)	51⅞	9.18		3Feb 3Aug
600	Treas 14½pc 1994‡‡	125⅞	8.85	25.1	1Sep 1Mar
1,100	Exch 13½pc 1994	120¼xd	9.00	21.3	27Oct 27Apr
1,400	Treas. 10pc Ln. 1994‡‡	105⅞	8.83	2.11	9Dec 9Jun
1,550	Exch. 12½pc 1994	116⅞	9.02	18.1	22Feb 22Aug
1,600	Treas 9pc 1994‡‡	101¼xd	8.76	11.4	17May 17Nov
2,350	Treas 12pc 1995	114⅞	9.03	21.12	25Jul 25Jan
214	Exch 3pc Gas 90-95	80½xd	6.49	25.9	1Nov 1May
2,100	Exch. 10¼pc 1995	106⅝	8.97	15.12	21Jan 21Jul
1,000	Treas 12¾pc 1995‡‡	117¼xd	9.05	8.4	15May 15Nov
900	Treas. 14pc '96	125⅞	9.23	15.12	22Jul 22Jan
750	Treas. 9pc 1992-96‡‡	100⅞	8.75	8.2	15Sep 15Mar
1,350	Treas 15¼pc 1996‡‡	133⅞	9.22	28.9	3Nov 3May
800	Exch 13¼pc 1996‡‡	125¼xd	9.13	8.4	15Nov 15May
41	Redemption 3pc 1986-96	84⅞	5.22	24.2	1Apr 1Oct
1,109	Conversion 10pc 1996	105¼xd	9.11	8.4	15May 15Nov
1,500	Treas 13¼pc 1997‡‡	123⅞	9.18	16.12	22Jul 22Jan
3,100	Exch 10½pc 1997	107⅞	9.15	15.1	21Aug 21Feb
2,600	Treas 8¾pc 1997‡‡	98⅞	9.01	25.1	1Mar 1Sep
1,000	Tr 8¾pc Ln "C" 1997	98¼	9.02	–	1Mar 1Sep
1,000	Exch 15pc 1997	134⅞xd	9.40	21.3	27Apr 27Oct
2,850	Exch. 9¾pc 1998	103⅝	9.16	14.12	19Jul 19Jan
1,000	Treas 6¾pc 1995-98‡‡	87⅞	8.71	25.9	1Nov 1May
1,100	Treas. 15½pc '98‡‡	140⅞	9.38	22.2	30Mar 30Sep
2,500	Exch. 12pc 1998	118¼xd	9.28	13.03	20May 20Nov
1,250	Treas 9½pc 1999‡‡	103⅞	9.05	9.12	15Jul 15Jan
2,900	Exch. 12¼pc 1999	120⅞	9.28	18.2	26Sep 26Mar
1,252	Treas. 10½pc 1999	109xd	9.19	12.4	19Nov 19May
1,548	Conversion 10¼pc 1999	107⅞xd	9.19	16.10	22May 22Nov
1,200	Treas. 8½pc Ln 2000‡‡	96⅞	9.00	22.12	28Jan 28Jul
1,404	Conversion 9pc 2000‡‡	99⅞	9.03	26.1	3Sep 3Mar
1,817	Treas. 13pc 2000	126⅞	9.36	8.12	14Jan 14Jul
1,050	Treas 10pc 2001	106⅞	9.14	20.1	26Aug 26Feb
1,250	Treas. 14pc '98-01	129⅞xd	9.39	16.10	22Nov 22May
802	Conversion 9¾pc 2001	104⅞	9.19	4.1	10Feb 10Aug
1,600	Exch. 12pc '99-02	117⅞	9.31	16.12	22Jul 22Jan
716	Conversion 10pc 2002	106⅞	9.11	4.9	11Oct 11Apr
1,450	Treas 9¾pc 2002	105⅞	9.10	21.1	27Feb 27Aug
1,300	Exch. 9pc 2002	99⅞xd	9.04	12.4	19May 19Nov

Over Fifteen Years

Amount Listed £m	Stock	Price £	Red. Yld.	Last xd	Interest Due
1,800	Treas. 13¾pc 2000-03	131⅞	9.39	21.12	25Jan 25Jul
1,000	Treas 10pc 2003	107⅞	9.07	1.2	8Mar 8Sep
1,900	Treas. 11½pc 2001-04	116⅝	9.22	11.2	19Sep 19Mar
900	Treas. 10pc 2004	107⅞xd	9.04	11.4	18Nov 18May
443	Funding 3½pc '99-04	59⅞	8.04	8.12	14Jan 14Jul
1,362	Conversion 9½pc 2004	103⅞xd	9.02	21.3	25Apr 25Oct
1,881	Conversion 9½pc 2005	104⅞xd	9.01	11.9	18Oct 18Apr
1,050	Exch. 10½pc 2005	112⅞	9.00	12.2	20Mar 20Sep
2,200	Treas. 12½pc 2003-05	127⅞xd	9.12	15.10	21May 21Nov
1,800	Treas. 8pc 2002-06‡‡	91⅞	8.93	1.9	5Apr 5Oct
359	Conversion 9¾pc 2006	106⅞xd	9.01	8.4	15May 15Nov
3,150	Treas. 11¾pc 2003-07	120⅞	9.11	16.12	22Jul 22Jan
1,250	Treas 8½pc 2007 ‡‡	96⅞	8.87	10.12	16Jan 16Jul
1,250	Treas. 13½pc '04-08	136⅞	9.09	18.2	26Sep 26Mar
1,000	Treas. 9pc 2008 ‡‡	101⅞	8.85	7.9	13Apr 13Oct
1,000	Treas 8pc 2009	91⅞	8.83	19.8	25Mar 25Sep
369	Conv 9pc Ln 2011	101⅞	8.86	7.12	12Jan 12Jul

BRITISH FUNDS—Contd

Amount Listed £m	Stock	Price £	Red. Yld.	Last xd	Interest Due
1,000	Treas. 5½pc 2008-12‡‡	68⅞	8.67	2.2	10Mar 10Sep
700	Treas. 7¾pc 2012-15‡‡	89	8.82	21.12	26Jul 26Jan
1,000	Exch. 12pc '13-'17	130⅞	8.95	5.11	12Jun 12Dec

Undated

Amount Listed £m	Stock	Price £	Red. Yld.	Last xd	Interest Due
359	Consols 4pc	44⅝	–	29.12	1Feb 1Aug
1,909	War Loan 3½pc‡‡	39⅞	–	26.10	1Jun 1Dec
154	Conv. 3½pc '61 Aft	52⅞	–	24.2	1Apr 1Oct
56	Treas. 3pc '66 Aft	33⅞	–	1.3	5Apr 5Oct
276	Consols 2½pc	28⅝	–	1.3	5Ja Ap Jul Oct
475	Treas. 2½pc	28⅛	–	24.2	1Apr 1Oct

Index-Linked

Amount Listed £m	Stock	Price £	Red. Yld. **	Last xd	Interest Due
500	Treas 2pc IL '90(333.9)	120⅞	1.61	21.12	25Jul 25Jan
650	Do. 2pc '92‡‡ (385.8)	101⅞	2.43	17.8	23Sep 23Mar
1,000	Do. 2pc '96(267.9)	136⅞	3.11	8.2	16Mar 16Sep
900	Do 2½pc '01 (308.8)	113⅝	3.66	18.8	24Mar 24Sep
800	Do. 2½pc '03(310.7)	110⅞xd	3.73	13.03	20Mar 20May
1,100	Do. 2pc '06(274.1)	111⅞	3.78	14.12	19Jan 19Jul
950	Do. 2½pc '09(310.7)	104⅞xd	3.78	13.03	20Mar 20May
1,350	Do. 2½pc '11(294.1)	108⅝	3.79	18.1	23Feb 23Aug
1,100	Do. 2½pc '13(351.9)	90⅞	3.76	11.1	16Feb 16Aug
1,600	Do. 2½pc '16(322.0)	97⅞	3.72	21.12	26Jan 26Jul
1,400	Do. 2½pc '20 (327.3)	95⅞xd	3.65	10.3	16Oct 16Apr
800	Do. 2½pc '24 ‡‡(385.3)	80⅞	3.60	15.02	17Jan 17Jul

** Prospective real redemption rate on projected inflation of 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for July1987:101.8 and for February 1988: 103.7
(rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

Amount Listed £m	Stock	Price £	Red. Yld.	Last xd	Interest Due
50	African Dv Bk 11¼Ln 2010	107⅞	10.28	3.12	4Jan 4Jul
100	Asian Dev Bk 10¼pcLn2009	104⅞	9.76	19.2	24Mar 24Sep
100	Australia 13½pc 2010	129⅞	10.13	23.12	28Jan 28Jul
100	Do. 11½pcLn2015	112⅝	10.02	24.3	26Apr 26Oct
75	Euro Inv Bk 11pc Ln 2002	110⅞	9.67	23.2	23Mar 23Sep
100	Do. 10⅞pc2004	105⅞	9.66	22.10	22Nov 22May
75	Int-Am Dev Bk 12½pc 2003	120⅞	9.87	7.12	8Jan 8Jul
175	Do. 9¾pcLn 2015	98⅞	9.89	13.4	15May 15Nov
75	Mlysia 10¼pcLn 2009	95½	11.31	23.12	31Jan 31Jul
50	Sweden 13½pc Ln 2010	130⅞	10.03	21.12	22Jan 22Jul
50	Utd. Mexican States 16½pc 2008	103⅞	15.96	26.1	1Mar 1Sep

CORPORATION LOANS

Amount Listed £m	Stock	Price £	Red. Yld.	Last xd	Interest Due
32	Birmingham 13½pc 1989	106	9.33	20.10	20May 20Nov
45	Do. 11½pc 2012	111⅞	10.20	15.10	15May 15Nov
–	GLC 6¾pc 1990-92	94⅝	8.50	20.10	15Feb 15Aug
40	Leeds 13½pc 2006	125⅞	10.30	11.3	1Apr 1Oct
5	Liverpool 3½pc Irred	32½	–	1.3	1Ja Ap Jl Oc
–	LCC 6¾pc '88-90	98	9.20	10.12	10Jan 10Jul
–	Do. 3pc '20 Aft	30	–	1.2	1Mar Je S D
7	Manchester 11½pc 2007	109xd	10.40	31.3	25Apr 25Oct

COMMONWEALTH & AFRICAN LOANS

Amount Listed £m	Stock	Price £	Red. Yld.	Last xd	Interest Due
–	NZ 7¼pc 1988-92	93	9.20	1.12	1Jan 1Jul
–	S Rhod 2½pc Non-Asstd	197	–	–	1Apr 1Oct
–	Do. 4½pc 87-92 Asstd	71½	–	7.1	7Feb 7Aug
42	Zimbabwe Ann (£100pd)	42xd	–	15.3	15Apr 15Oct

LOANS

Building Societies

Amount Listed £m	Stock	Price £	Red. Yld.	Last xd	Interest Due
20	N'Wide Ang. 9⅞pc 3.5.88	100⅛	8.70	28.9	3May 27Oct
20	Do. 8⅞pc 23.5.88	100⅛	8.41	5.4	23May 18Nov
20	Do. 8⅞pc 20.6.88	100⅛	8.46	16.11	20Jun 15Dec
20	Do. 9⅝pc 11.7.88	100⅝	8.43	7.12	6Jan 11Jul
20	Do. 10pc 1.8.88	100⅞	8.50	29.12	27Jan 1Aug
20	Do 10⅞pc 22.8.88	100⅞	8.51	18.1	17Feb 22Aug
20	Do. 10⅞pc 12.9.88	100⅞	8.61	–	7Mar 12Sep
20	Do. 10⅞pc 26.9.88	100⅞	8.72	22.2	21Mar 26Sep
20	Do. 10⅞pc 31.10.88	100⅞	8.89	25.3	26Apr 31Oct
20	Do. 9¼pc 28.11.88	100⅞	9.04	–	23May 28Nov
20	Do. 9¾pc 28.12.88	100⅞	9.12	–	21Jun 28Dec
20	Do. 9⅞pc 23.1.89	100⅞	9.18	–	23Jan 18Jul
20	Do. 9⅞pc 20.2.89	100⅞	9.31		
60	Do. 3⅞pcIL Ln 2021	92⅝	4.61	4.1	30Jan 31Jul

Public Board and Ind.

Amount Listed £m	Stock	Price £	Red. Yld.	Last xd	Interest Due
3	Agric. Mt. 5pc '59-89	95⅝	8.00	1.12	1Jan 1July
25	Met. Wtr. 3pc 'B'	40	10.06	1.2	1Mar 1Sep

Financial

Amount Listed £m	Stock	Price £	Red. Yld.	Last xd	Interest Due
3	Inv in Ind 11¼pc Un Ln '90	104	9.15	7.12	11Jan 11Jul
15	Do 7¼pcA Db89-92	95½	8.42	30.11	30Sep 31Dec
15	Do. 12¼pc Un. Ln. 1992	109⅝	9.46	15.2	14Mar 14Sep
10	Do. 7¼pc A 1991-94	93½	8.58	29.2	31Mar 30Sep
10	Do. 9pc A 1991-94	101	8.79	29.2	31Mar 30Sep
9	Do. 8¾pc Ln 1992-97	99¾xd	8.91	1.2	31Aug 28Feb

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

Continued on next page

[illegible]

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

UNIT TRUST NOTES

[illegible]

LONDON SHARE SERVICE

AMERICANS—Contd

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid
550.6	♦Staley Continental	19	80c	2.3	–	–
3,437.5	Sun Co. Inc. $1	31¼xd	$3.00	5.2	5.11	Mr Jn Se De
1,421.4	TRW Inc. 62½c	24xd	$1.60	3.7	11.8	Ma Ju Se De
3,461.6	Tenneco $5	23½xd	$3.04	7.1	11.8	Mr Jn Sp Dc
6,101.7	Texaco $6.25	25¼	$3.00	6.5	31.7	Mr Je Se De
4,486.4	Time Inc. $1	47¼	$1.00	1.2	24.01	Mr Ju Se De
1,313.6	Transamerica $1	17¼xd	$1.84	5.8	31.3	Ja Ap Ju Oc
524.1	Transworld Corp $5	10¾	20c	1.1	11.11	Fe My Au No
585.2	TRINOVA Corp	17¼	56c	1.8	9.11	Mc Je Se De
4,389.4	♦USX $1	16¾	$1.20	3.9	30.10	Mr Je Se De
2,787.2	Utd. Technologies	21¼	$1.40	3.6	19.5	Mr Jn Sp Dc
5,435.1	US West	27¼	$3.52	7.1	13.4	Fb My Ag No
3,947.1	Waste Management $1	17½	36c	1.1	21.3	Ap Jly Oc Jan
934.6	Whirlpool $1	13½	–	–	25.01	Mr Ja Se De
1,806.1	♦Woolworth $3½	27½	$1.32	2.6	19.11	Mr Je Se De

CANADIANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid
–	ABM Gold Corp	217p	–	–	–	–
–	♦Abbot Energy Corp	26p	–	–	–	–
648.0	♦Amer. Barrick Res	11¼	–	–	–	–
–	American Lightwave	7p	–	–	–	–
–	♦Armeno	21½p	–	–	–	–
–	Augmitto Expln	40p	–	–	–	–
1,169.6	Bk. Montreal	11¼	$2.00	7.8	9.11	Fb My Ag Nv
884.0	Bk. Nova Scot.	533p	72c	6.0	28.3	Ja Ap Jn Oc
4,525.6	BCE	16¼xd	$2.44	6.4	10.02	Ap Jy Oc Ja

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Contd

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING — Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

Stock	Price	Div Net	Cvr	Y'ld Gr's	Dividends Paid
M.L. Laboratories 1p	228	–	–	–	–
Medirace 10p	125	–	–	–	–
Norton Group 5p	28	–	–	–	–
Ovoca Gold IR 2p	53	–	–	–	–
Propeller 1p	41	W–	–	–	–
Publishing Hldgs 5p	14	–	–	–	–
Seacon Hldgs	78	–	–	–	–
Stals Hldgs. 5p	19	–	–	–	–
Sunnyard Studios 1p	3¼	–	–	–	–
Takare	225	b1.0	0.6	–	–
Thame Holdings	48	1.1	3.1	27.4	June Dec
Tomorrows Leisure 20p	26	–	–	–	–
UPL Group 10p	128	L2.41	2.7	–	–
Unit Group	148	R4.6	4.4	9.11	Jan July
Video Tape Recording 5p	92	L2.3	3.3	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date.
- § No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending s Dividend and yield exclude a special payment. t Indicated dividend. u Forecast, or estimated annualised dividend rate. v Subject to local tax. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

IRISH

TRADITIONAL OPTIONS

3-month call rates

Industrials

Property

Oils

Mines

A selection of Options traded is given on the London Stock Exchange Report Page

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Bank of England may face dilemma on pound and base rates

BY COLIN MILLHAM

Sterling was back in demand at the end of last week, as the dollar fell on disappointing US trade figures.

Central banks were keen to make their presence felt in the market, but found themselves shadow boxing against an opponentunwilling to commit itself to the attack.

Initial reaction to a much larger than expected US trade deficit in February was to hit the dollar, but there was not a great weight of volume to the selling.

Central banks were obliged to show a united front, after ministers from the Group of Seven had met only one day before publication of the trade figures, and reaffirmed their determination to see stable exchange rates.

The widening US trade deficit gave an immediate opportunity for a test of G7 resolve, but the market sensed the authorities could hardly afford to lose face so quickly, and stood back from an encounter.

The dollar moved down quite sharply on Thursday, following the trade news, but much more slowly on Friday, as many central banks stepped in on a small scale.

Money, which had moved into the dollar earlier in the week, was tempted back to sterling on Friday, raising the question of whether the Bank of England could be forced into another cut in UK bank base rates.

Opinion in the City has tended to lean towards a reduction in base rates if the pound threatens DM3.15, but stockbroker, James Capel, is not convinced the authorities will make such an early move.

Capel suggests it is not clear the authorities have drawn the line at DM3.15. The behaviour of the Bank of England seems to indicate a more flexible response.

Intervention should be expected as the first line of defence, according to Capel, and a cut in base rates might not be sanctioned until sterling threatens DM3.20.

City economists also believe the authorities may be reluctant to cut interest rates because of problems over growing money supply and bank lending.

Thursday sees publication of these figures, and the City will not be surprised if M0 money supply in March rises above the official target range of 2 p.c. to 6 p.c. for 1987/88, and well above the 2 p.c. to 5 p.c. range for the new financial year.

Bank lending may seem confusing, because it will be shown in terms of M3 lending, as before, and also in terms of M4 lending, which includes building societies.

It is expected that the Budget will produce increases in lending, as people borrow in advance of tax rebates in June and also borrow to beat the April 6 deadline on mortgage relief for home improvements. There is also likely to be a rush to borrow ahead of the introduction in August of single mortgage tax relief per household.

Morgan Grenfell suggests this will not add greatly to the March figure, and will be swamped by the beneficial effect of the unwinding of round tripping in the bill market.

Forecasts for M3 borrowing range from about £2bn to £2.5bn, against £2.6bn in February, while expectations for M4 range from about £3bn to £5.5bn., compared with £4.2bn in February.

James Capel suggests however, that as the effects of the Budget show up in later months, there could well be some disturbing figures in the pipeline.

£ IN NEW YORK

Apr 15	Close	Previous Close
£ Spot	1.8890-1.8900	1.8725-1.8735
1 month	0.15-0.13pm	0.17-0.16pm
3 months	0.48-0.45pm	0.52-0.50pm
12 months	1.92-1.88pm	2.10-2.00pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Apr.15	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4412	+2.32	+0.99	±1.5344
Danish Krone	7.85212	7.98015	+1.63	+0.30	±1.5404
German D-Mark	2.05853	2.07584	+0.84	-0.49	±1.0981
French Franc	6.90403	7.04102	+1.98	+0.65	±1.3674
Dutch Guilder	2.31943	2.32836	+0.39	-0.94	±1.5012
Irish Punt	0.768411	0.777422	+1.17	-0.16	±1.6684
Italian Lira	1483.58	1540.77	+3.85	+3.07	±4.0752

POUND SPOT- FORWARD AGAINST THE POUND

CURRENCY RATES

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

CURRENCY MOVEMENTS

EURO-CURRENCY INTEREST RATES

OTHER CURRENCIES

EXCHANGE CROSS RATES

F Fr.	0.940	1.776	2.949	219.9	10.	2.437	3.306	2189	2.188	61.70
S Fr.	0.386	0.729	1.210	90.24	4.103	1	1.357	898.2	0.898	25.32
H Fl.	0.284	0.537	0.892	66.52	3.024	0.737	1	662.0	0.662	18.66
Lira	0.429	0.812	1.347	100.5	4.568	1.113	1.511	1000.	1.000	28.19
C $	0.430	0.812	1.348	100.5	4.570	1.114	1.511	1000	1	28.20
B Fr.	1.523	2.879	4.780	356.4	16.21	3.950	5.359	3548	3.546	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.8895	1.8878	1.8848	1.8804	1.8710
D-mark	3.1375	3.1251	3.1010	3.0628	2.9885
French Fr.	10.643	10.643	10.642	10.641	10.640
Swiss Fr.	2.5925	2.5797	2.5539	2.5162	2.4441
Yen	234.00	233.92	233.77	233.53	233.03

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Sep	Puts-settlements Jun	Sep
116	659	—	1	—
118	500	—	6	—
120	311	—	17	—
122	146	—	52	—
124	49	—	155	—
126	17	—	323	—
128	5	—	511	—

Estimated volume total, Calls 2007 Puts 3972
Previous day's open int. Calls 36795 Puts 25914

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Sep	Puts-settlements Jun	Sep
82	734	—	6	—
84	544	533	16	105
86	361	410	33	146
88	228	302	100	238
90	115	200	151	336
92	37	120	309	456
94	18	53	454	625

Estimated volume total, Calls 287 Puts 90
Previous day's open int. Calls 2785 Puts 989

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Apr	MAY	Puts-settlements Apr	MAY
16000	1730	1781	0	32
16500	1233	1347	3	137
17000	760	967	30	237
17500	370	663	140	423
18000	129	413	399	683
18500	30	244	800	1014
19000	5	135	1275	1405

Estimated volume total, Calls 10 Puts 40
Previous day's open int. Calls 45 Puts 209

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-settlements Apr	MAY	Puts-settlements Apr	MAY
175	1385	1385	0	2
180	885	889	0	17
185	385	466	0	94
190	0	180	115	308
195	0	47	615	675
200	—	—	—	—
205	—	—	—	—

Estimated volume total, Calls 12 Puts 0
Previous day's open int. Calls 233 Puts 233

LIFFE EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls-settlements Jun	Sep	Puts-settlements Jun	Sep
9175	84	74	3	23
9200	62	57	6	31
9225	42	42	11	41
9250	25	30	19	54
9275	14	21	33	70
9300	7	13	51	87
9325	3	8	72	107

Estimated volume total, Calls 200 Puts 40
Previous day's open int. Calls 2919 Puts 2718

LIFFE SHORT STERLING

Strike Price	Calls-settlements Jun	Sep	Puts-settlements Jun	Sep
9075	94	66	1	13
9100	70	49	2	21
9125	47	34	4	31
9150	28	22	10	44
9175	14	14	21	61
9200	7	8	39	80
9225	2	4	59	101

Estimated volume total, Calls 506 Puts 155
Previous day's open int. Calls 4239 Puts 2824

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

LONDON (LIFFE)

CHICAGO

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.8895	1.8878	1.8848	1.8804	1.8710

IMM-STERLING $s per £

	Close	High	Low	Prev.
Jun	1.8875	1.8890	1.8820	1.8750
Sep	1.8826	1.8842	1.8760	1.8692
Dec	1.8776	1.8766	1.8680	1.8630

EUROPEAN OPTIONS EXCHANGE

BASE LENDING RATES

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

MONEY MARKETS

London decides to wait and see

DEALERS IN London adopted a wait and see attitude to interest rates last week.

Three-month interbank - a key figure indicating the markets view of bank base rate levels - was steady at 8¼ p.c. for most of the time, before falling to 8⅛ p.c. on Friday, as sterling rose against the D-Mark and dollar, following the US trade figures.

There were some large day-to-day credit shortages, and the message from the discount houses was that they would rather hold on to bills at present, in the hope of lower interest rates.

UK clearing bank base lending rate 8 per cent from April 11

A cut in the Bank of England's money market dealing rate will mean existing bills can be sold at a bigger profit.

A substantial amount of official assistance to the market last week was provided through repurchase agreements, with the bills to be repurchased by the market during the first half of May.

The market will be watching to see if the pound continues to rise this week, and whether this brings lower rates.

Apart from the money supply and bank lending figures on Thursday, which may play some part in deciding the future of interest rates, the market will also be interested in March retail sales figures today, and the PSBR for March on Wednesday.

Retail sales are expected to have been fairly slow, rising about 0.1 p.c. to 0.8 p.c.

The PSBR is forecast to be about £2.5bn to £3.5bn, but many economists believe the surplus for the financial year will be well above the Budget forecast of £3.1bn, and could be as high as £5bn.

FT LONDON INTERBANK FIXING

(11.00 a.m. April 15) 3 months US dollars		6 months US Dollars	
bid 7	offer 7⅛	bid 7⅛	offer 7¼

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (4pm)

Prime rate	8½
Broker loan rate	7¾
Fed. funds	6¾-⅞
Fed. funds at intervention	-

Treasury Bills and Bonds	
One month	5.90
Two month	5.88
Three month	6.06
Six month	6.51
One year	7.02
Two year	7.58
Three year	7.81
Four year	8.06
Five year	8.21
Seven year	8.54
10-year	8.74
30-year	8.95

April 15	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.15-3.25	3.25-3.35	3.30-3.40	3.30-3.45	3.35-3.50	4.50

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

LONDON MONEY RATES

WORLD STOCK MARKETS

AUSTRIA

1988 High	Low	April 15	Price Sch
2,060	1,850	Creditanstalt	1,980
2,880	2,620	Goesser	2,640
10,100	9,650	Interunfall	9,710
6,800	4,660	Jungbunzlauer	6,590
384	340	Laenderbank	350
670	632	Perlmooser	655
123	85	Steyr-Daimler	85
695	556	Veitscher Mag	630

BELGIUM/LUXEMBOURG

1988 High	Low	April 15	Price Frs.
2,930	2,490	B.B.L.	2,740
13,800	13,500	Banque Gen. Du L.	13,800
13,250	13,000	Bank Int. A	13,250
9,500	6,700	Bekaert B	9,280
5,540	4,200	Ciment CBR	5,300
193	123	Cockerill	174
8,690	4,800	Colruyt	8,050
5,000	2,920	Delhaize	4,300
4,900	4,365	EBES	4,620
870	470	Fabrique Nat	760
1,650	830	GB Inno BM	1,184
3,275	2,210	GBL (BruxL)	3,150
5,740	4,150	Generale Bank	5,410
8,500	5,730	Gevaert	7,260
7,750	5,800	Hoboken	7,310
3,875	3,390	Intercom	3,570
4,000	3,150	Kredietbank	3,845
11,850	10,600	Pan Holdings	11,700
11,675	8,300	Petrofina	11,250
1,545	1,264	Raffinerie Tirle	1,422
5,950	4,100	Royale Belge	5,820
8,530	4,575	Soc Gen Belge	4,825
12,975	8,090	Sofina	12,100
12,100	9,090	Solvay	12,100
200	135	Stanwick Intl	200
7,090	5,070	Tractebel	6,540
9,200	6,910	UCB	8,400
5,100	3,590	Wagons Lits	4,900

DENMARK

1988 High	Low	April 15	Price Kr
474	405	Baltica Hldgs	465
244	216	Cop Handelsbank	220
339	261	D. Sukkerfab	316
347	306	Den Danske Bank	321
184	164	East Asiatic	164
1,060	880	Forenede Bryg	995
205	167	GNT Holding	194
715	675	I.S.S. B Systems	685
418	362	Jyske Bank	380 xa
191	134	Novo Inds	182
241	201	Privatbanken	201
835	710	Sophus Berendsen	775
2,130	1,600	Superfos	2,100

FINLAND

1988 High	Low	April 15	Price Mks
208.5	181	Amer	203.5
64.7	52	Finnish Sugar	59.25
60.55	45.5	KOP	56
257	186	Kone	230
166.5	94	Kymmene	108.5
184	133	Nokia	166.5
89	68.6	Pohjola 'B'	83.75
28.8	23.8	Rauma-Repola	28.3
257.5	206.5	Stockmann 'B'	247.5
36.8	27.6	UBF 'C'	31.75
128.5	96.5	Utd. Paper	115.5
239	210.5	Wartsila (x11)	219.5

FRANCE

1988 High	Low	April 15	Price Frs.
1,765	1,583	Emprunt 4.5% '73	1,599 #
415	272	Accor	370
530	426	Air Liquide	470
2,015	1,707	Alcatel	1,800
637	430	BIC	602
260	198	BNP (Cert.Inv.)	253
2,095	1,760	Bongrain	1,990
940	735	Bouygues	798
4,430	3,780	BSN Gervais	4,000

JAPAN

1988 High	Low	April 15	Price Yen
3,500	3,000	Ajinomoto	3,400
1,880	1,400	All Nippon Air	1,850
2,020	1,650	Alps Electric	1,860
1,370	1,040	Amada	1,330
1,650	1,350	Amano	1,650
769	665	Ando Construct	750
2,840	2,360	Anritsu	2,760
1,020	913	Aoki Corp.	970
5,780	5,020	Arabian Oil	5,750
1,130	877	Asahi Chemicals	1,110
2,070	1,640	Asahi Glass	2,060
1,030	800	Asugi Nylon	1,020
1,610	1,200	Bank Tokyo	1,580
1,680	1,260	Banyu Pharm	1,590
1,430	1,140	Bridgestone	1,410
696	559	Brother Inds	666
1,690	1,390	Calpis Food	1,670
1,320	905	Canon	1,290
3,670	2,750	Canon Sales	3,350
1,350	1,100	Casio Computer	1,290
755	570	Central Glass	739
776	524	Chiyoda Chem	670
3,070	2,440	Chubu Elect Pwr	2,980
1,860	1,420	Chugai Pharm	1,800
624	472	Citizen Watch	600
900	700	Daicel Chemical	858
670	532	Daido Steel	640
1,970	1,410	Daiei	1,900
3,250	2,660	Dai Ichi Kan Bank	3,220
965	701	Daikin Inds	960
3,520	2,800	Daikyo Kanko	3,060
820	656	Dai Nippon Ink	778
2,720	2,113	Dai Nippon Ptg	2,680
1,640	1,460	Daishowa Paper	1,630
1,920	1,440	Daiwa House	1,920
2,860	1,530	Daiwa Sec	2,780
3,620	2,600	Denny's	3,620
531	463	Dowa Mining	524
1,020	741	Ebara	981
2,863	1,921	Eisai	2,260
1,380	1,070	Ezaki Glico	1,300
6,690	5,250	Fanuc	6,400
3,500	2,809	Fuji Bank	3,370
725	470	Fuji Electric	679
4,350	3,870	Fuji Film	4,100
654	513	Fuji Heavy Ind	637
840	660	Fujikura Cable	824
2,240	1,750	Fujisawa	2,280
1,580	1,310	Fujitsu	1,520
911	680	Furukawa Elect	860
2,370	1,900	Green Cross	2,210
860	680	Gun-Ei Chem	825
1,120	885	Gunze	1,040
1,300	960	Hasegawa Kom	1,240
2,230	1,120	Hattori Seiko	2,200
1,820	1,105	Heiwa Real Est	1,620
695	491	Hino Motors	645
5,440	4,550	Hirose Electric	5,150
1,520	1,150	Hitachi	1,440
1,260	985	Hitachi Cable	1,170
1,720	1,340	Hitachi Credit	1,610
2,420	1,970	Hitachi Maxell	2,320
1,180	966	Hitachi Metals	1,130
1,860	1,230	Honda	1,790
634	499	Honshu Paper	605
2,370	2,080	House Food Ind	2,340
2,380	2,140	Hoya	2,250

CANADA

TORONTO
Closing prices April 15

MONTREAL
Closing prices April 15

OVER-THE-COUNTER *Nasdaq national market, Closing prices, April 15*

Continued from Page 37

INDICES

NEW YORK DOW JONES

NEW YORK ACTIVE STOCKS

	Apr 15	Apr 14	Apr 13	Apr 12	1988 High	1988 Low
AUSTRALIA All Ordinaries (1/1/80)	1436.9	1467.6	1462.6	1447.9	1467.6 (14/4)	1170.7 (10/2)
All Mining (1/1/80)	678.8	695.6	694.5	689.2	773.6 (14/1)	532.4 (10/2)
AUSTRIA Credit Aktien (30/12/84)	173.29	175.04	175.90	175.97	178.92 (21/3)	163.98 (11/2)
BELGIUM Brussels SE (1/1/80)	4660.5	4739.0	4738.9	4714.7	5043.1 (9/3)	3608.35 (4/1)
DENMARK Copenhagen SE (3/1/83)	193.10	199.26	198.70	199.24	200.07 (11/4)	180.68 (4/1)
FINLAND Unitas General (1975)	631.2	645.8	646.4	646.4	646.4 (12/4)	530.6 (15/1)
FRANCE CAC General (31/12/82)	296.8	305.0	301.9	296.0	306.9 (23/2)	251.3 (29/1)
Ind. Tendance (31/12/87)	108.2	108.8	109.2	106.3	112.3 (25/2)	89.7 (29/1)
GERMANY FAZ Aktien (31/12/58)	454.49	463.70	464.41	467.45	476.37 (18/3)	396.40 (29/1)
Commerzbank (1/12/53)	1386.3	1413.3	1414.9	1423.8	1457.5 (18/3)	1207.9 (29/1)
HONG KONG Hang Seng Bank (31/7/64)	2598.95	2684.13	2671.24	2635.94	2684.13 (14/4)	2223.56 (8/2)
ITALY Banca Com. Ital. (1972)	517.00	527.43	522.89	527.43	545.07 (18/3)	423.91 (9/2)
JAPAN** Nikkei (16/5/49)	26893.57	27111.35	26985.55	26930.84	27111.35 (14/4)	21217.04 (4/1)
Tokyo SE New (4/1/68)	2173.80	2193.95	2187.78	2182.02	2193.95 (14/4)	1690.44 (4/1)
NETHERLANDS ANP-CBS General (1970)	247.3	255.3	253.7	252.2	280.3 (24/2)	205.7 (4/1)
ANP-CBS Industrial (1970)	205.9	211.7	210.1	208.9	211.7 (14/4)	157.9 (11/1)
NORWAY Oslo SE (4/1/83)	389.85	397.82	407.88	407.88	412.04 (11/4)	327.78 (28/1)
SINGAPORE Straits Times Ind. (30/12/66)	933.4	957.1	955.4	946.1	969.40 (21/3)	833.60 (4/1)
SOUTH AFRICA JSE Gold (28/9/78)	1302.0	1298.0	1310.0	1343.0	1790.0 (7/1)	1212.0 (29/2)
JSE Industrial (28/9/78)	1520.0	1527.0	1523.0	1523.0	1564.0 (11/1)	1387.0 (12/2)
SPAIN Madrid SE (30/12/85)	273.32	281.14	280.77	280.32	281.14 (14/4)	225.50 (4/1)
SWEDEN Jacobson & P. (31/12/56)	2744.6	2838.7	2832.8	2811.3	2838.7 (14/4)	2148.5 (4/1)
SWITZERLAND Swiss Bank Ind. (31/12/58)	524.9	530.8	530.7	525.6	539.5 (18/3)	466.6 (13/1)

**Saturday April 16: Japan Nikkei (c) . TSE (c)

† Amended at source.

Base values of all indices are 100 except Brussels SE – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Metals – 500; (c) Closed. (u) Unavailable.

Closing prices, April 15

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev Close
25⅝	14	AAR s	.36	1.6	19	265	23⅜	22½	23⅛	−⅜
27	10½	AGS s			13	412	16⅜	15¼	16	+¼
10½	4⅜	AMCA				35	4¾	4⅝	4⅝	−½
8⅝	3¼	AM Intl				500	4	3⅞	4	+⅛
65½	26¾	AMR			13	8560	41⅞	40⅝	41	−1
27¼	24⅞	ANR pf	2.67	10.		6	26¾	26¾	26¾	+¼
12¼	6⅜	ARX			9	82	8½	8⅛	8½	−⅛
73½	40⅛	ASA	3	6.6		428	45⅝	45	45¼	+¼
22⅝	9½	AVX			14	868	17¼	16½	17	−⅜
68⅝	40	AbtLab	1.20	2.5	17	4622	48¼	47¼	47⅝	−½
26	15⅜	Abitibi g	1			105	18⅛	17⅝	17⅞	
16¾	8½	AcmeC	.40	3.3		58	12¼	12	12¼	−⅛
10½	6¾	AcmeE	.32b	4.3	20	44	7⅜	7¼	7⅜	−¼
20	14⅛	AdaEx	2.93e	19.		257	15⅜	15¼	15¼	−¼
19¼	6⅞	AdamMl	.24	1.7	11	211	14	13⅝	14	+¼
24⅞	7½	AMD				5152	12¾	12⅛	12½	−⅛
56¾	29¼	AMD pf	3	7.8		57	38¼	37½	38¼	+⅜
11⅞	4⅝	Adobe			12	174	7⅛	6⅝	6⅞	−⅛
20¼	16¼	Adob pf	1.84	10.		40	18	18	18	−⅛
21¾	17½	Adob pf	2.40	11.		5	21	20⅞	20⅞	−¼
15	6⅞	Advest	.12a	1.7	7	234	7⅛	6⅞	6⅞	−¼
64¼	42⅞	AetnLf	2.76	6.5	6	5583	43⅝	d42½	42½	−⅞
83½	41	AflPub	.40	.6	35	540	63¼	62	62	−2
23¾	13	Ahmans	.88	6.0	7	2786	14⅞	14¼	14¾	
4⅞	1¾	Aileen				243	3⅛	2⅞	3	−⅛
53⅞	29	AirPrd	1	2.2	14	2745	46⅞	46	46⅜	−⅝
36	11⅛	AirbFrt	.60	3.6	19	188	17⅛	16⅞	16⅞	
16½	6¾	Airgas			16	30	12¾	12¼	12¼	−½
19¾	13½	Airlease	2.30	12.	10	23	18¾	18½	18¾	+¼
½	5-16	AlMoan			50	17	½	15-32	½	+1-32
10½	7⅝	AlaP dpf	.87	9.3		22	9⅜	9¼	9⅜	+⅛
100⅛	76	AlaP pf	8.16	9.7		z50	84½	84½	84½	
24	12¼	AlskAir	.16	1.0	23	666	16⅜	16	16¼	+⅛
38	14¾	Alberto	.30	1.1	19	75	28⅞	28⅜	28⅜	−⅝
28¼	12⅝	AlbCul	.30	1.4	14	43	22	21½	21½	−½
34	20¼	Albtsn s	.56	1.8	16	723	30¾	30	30⅜	−⅛
37⅞	18	Alcan s	.72	2.8	11	5346	28⅛	27⅝	28	−⅛
30	15¼	AlcoS s	.68	3.0	11	338	22¾	22	22½	+¼
29⅛	15⅞	AlexAlx	1	4.5	14	604	22¼	21½	22⅛	+¼
59	34¾	Alexdr			743	41	53	52	52	−1¼
92½	61½	AllegCp			8	4	73	72¾	72¾	+⅛
24½	2⅛	vjAlgInt				605	3⅝	3¼	3⅜	+⅜
20⅛	5¼	vjAlgI pr				36	6⅞	6¼	6¾	+¼
88½	17	vjAlgI pfC				34	20⅜	19⅞	20¼	+¾
34	15⅛	AlgLudn	.30e	1.2	11	195	25⅝	25⅛	25⅛	−⅝
41¾	31⅜	AllgPw	3	8.1	9	425	37⅜	36½	37	−⅝
105⅞	55	Allegis			13	4873	80½	77¾	79¼	−1½
17⅞	5½	AllenG				404	11¾	11⅛	11⅜	+⅛
23½	8¼	Allen pf	1.75	12.		40	14½	14¼	14½	+¼
10¼	10	AlnCapn				1075	u10⅜	10⅛	10⅜	+¼
39⅛	12⅜	AlldPd				176	19¼	18⅞	19	−¼
48¾	26	AldSgnl	1.80	5.6	9	3167	32¼	31¾	32¼	
3⅜	1	vjAllisC				114	1⅛	1	1	
31¼	4⅜	AllsC pf			65	4½	d	4¼	4½	−¼
10⅜	6⅞	AlstMun	.30e	3.0		164	10	9⅞	10	
34⅛	23	ALLTL	s1.52	4.9	10	682	31⅛	30¾	30¾	−¼
64¾	33¾	Alcoa	1.20	2.8	17	2400	43⅝	42½	43	−⅝
[illegible]										

Continued on Page 37

NYSE COMPOSITE CLOSING PRICES

Continued from Page 36

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
74	37	PhlpD pr 3		5.3		106	57	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]								

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	Xerox pf4.13		8.4		75	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	XTRA	.64	1.9	17	64	[illegible]	34	[illegible]	[illegible]
[illegible]	[illegible]	XTRA pf1.94		6.8		15	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	Yorkln			14	487	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Zapata				1009	[illegible]	[illegible]	[illegible]	[illegible]
37	[illegible]	Zayre	.40	1.7	11	1431	825	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Zemex	.40	3.0	17	7	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	10	ZenithE				1383	[illegible]	[illegible]	[illegible]	[illegible]
12	[illegible]	ZenLab				1631	[illegible]	2	[illegible]	[illegible]
24	[illegible]	ZenNtl	.80	4.1	9	234	[illegible]	[illegible]	[illegible]	+1
[illegible]	[illegible]	Zero	.36	2.6	14	96	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	15	Zurn ln s .68		3.2	14	143	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Zweig 1.34e		13.		912	[illegible]	10	[illegible]	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership *or being reorganised* under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices, April 15

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, Closing prices April 15

Stock	Sales (Hunds)	High	Low	Last	Chng
[illegible]					

Continued on Page 35

Huge swings in mood hold markets hostage

BY STEPHEN FIDLER

SIX MONTHS ago tomorrow, the world's stock markets pitched suddenly into crisis. Price falls of unprecedented speed and severity, centred on New York but engulfing every important exchange, revived the spectre of the Great Crash of 1929.

The early fear that the 1987 version would be followed, like its predecessor, by severe economic contraction has already receded.

If it is true that the economic implications of the crash have been overestimated, the same cannot be said of its impact on investors and on the financial markets.

One result has been an even shorter term orientation on the part of investors. Their continued nervousness – as underlined by the 4½ per cent drop in prices in New York on Thursday after publication of February trade figures – means the market is at the mercy of extraordinary swings of mood.

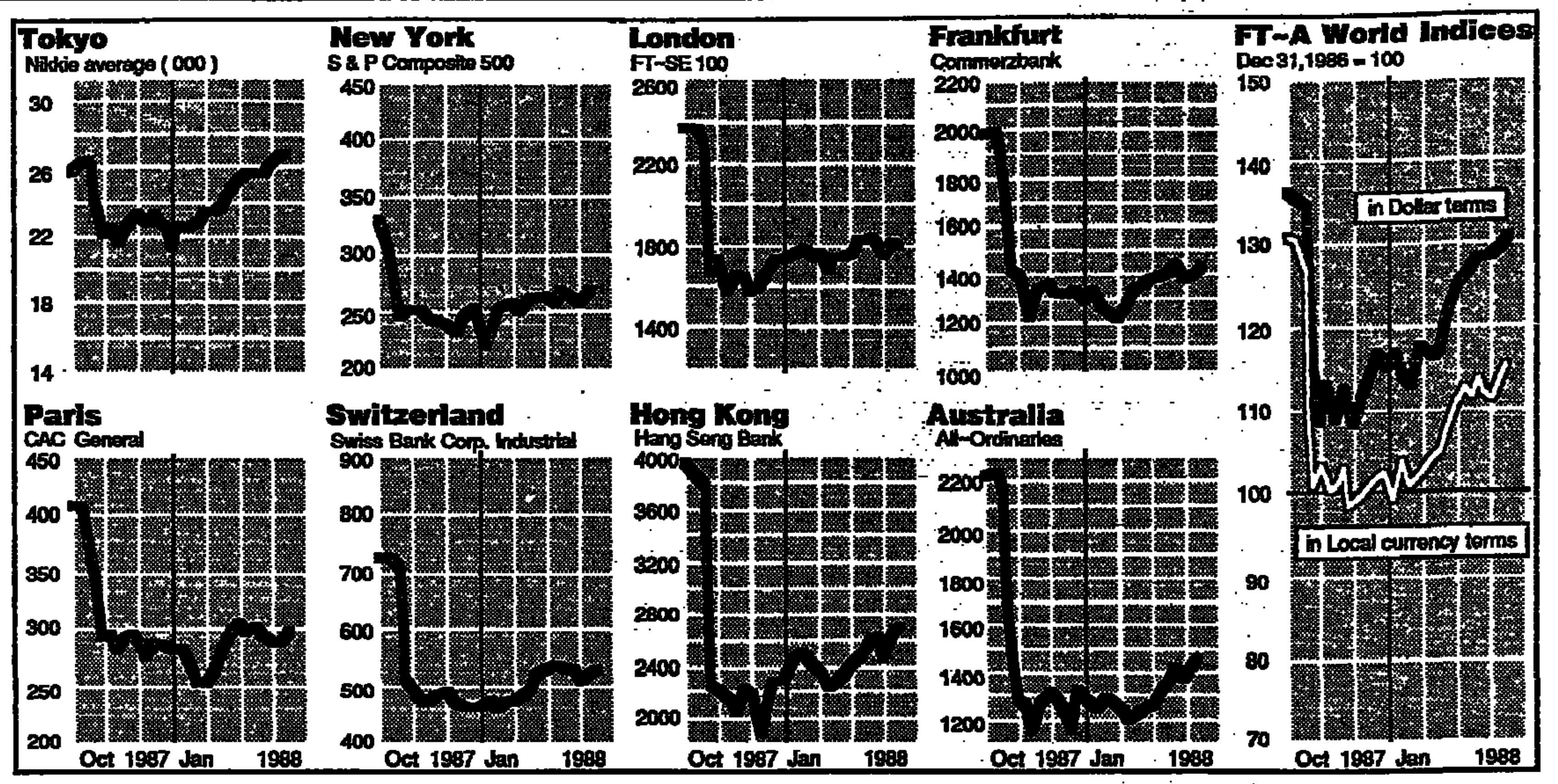
The constant worry that it could all happen again has kept both institutional and small private investors on the sidelines.

Only companies, buying up either their own shares, where permitted, or acquiring those of others which they consider cheap, have provided a general exception.

Yet the world has changed since October. Mr Robert Salomon, chief equity strategist for Salomon Brothers, says the crash resulted from a unique confluence of forces that would be difficult, if not impossible, to duplicate.

The crash may indeed have helped to bring the US – and therefore the world – economy into better balance. Economic growth is likely to be steadier, reducing the prospect for sharp rises in interest rates. The US trade deficit may not be coming down very fast, but it is moving in the right direction. There is less likelihood that destabilising trading strategies would be repeated in a fresh downturn.

In the eyes of many, portfolio insurance – widely considered a villain in the October crash – has been discredited. Mr Salomon estimates that the amount in such "insured" portfolios has dropped to $30bn, from between $80bn and $90bn before the crash.



THE SPEED with which Japan has dominated the global market has been one of the most remarkable features of the six months since the stock markets crash, Alison Maitland writes.

Japan overtook the US in terms of market capitalisation just before the crash. Its subsequent weighting in the FT-Actuaries World Index had risen to more than 48 per cent by the end of last week, from 37 per cent on October 16.

In contrast, the other principal markets have all lost ground, according to figures from County NatWest WoodMac.

The US has seen its share of global capitalisation fall from 34 per cent on October 16 to 32 per cent, while the UK has dropped from nearly 11 per cent to 9.4 per cent, West Germany from 3.4 per cent to 2.8 per cent and Canada from 2.14 per cent to 2.07 per cent.

South Africa has shrunk by a third, from 0.9 per cent to 0.6 per cent, as the weak bullion price has hampered its recovery. Share prices remain 41 per cent lower than on October 19, 1987, in sterling terms, with only Mexico (-65 per cent) and New Zealand (-43 per cent) doing worse.

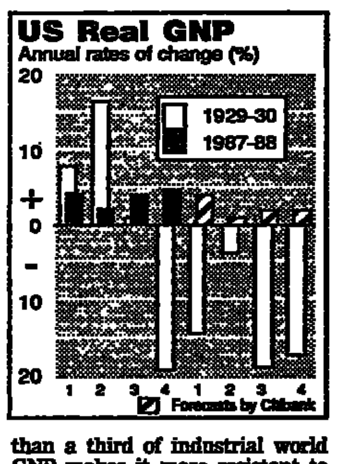
While Japan's pre-eminence is based on its rapid recovery and bold advance to new highs, the rest of the Pacific Basin presents a more mixed picture.

Hong Kong, Australia and Singapore were among the world's worst hit markets in October and, although confidence has been gradually returning, their indices are all still about 30 per cent lower. Their weightings in the World Index have shrunk accordingly.

However, South Korea and Taiwan, where foreign investment is restricted, have been among the best performers. Seoul shares fell by less than 12 per cent in the crash and have jumped by 42 per cent from their low, while Taiwan plunged by 37 per cent and has rebounded by 61 per cent.

Second adjustment of global imbalance cannot be ruled out

BY JOHN PLENDER



WAS THE stock market crash a benign event rather than a catastrophe? Six months on, the case is certainly arguable.

Most recent economic statistics suggest the US was growing remarkably strongly before the crash; and in spite of an initial jolt to consumer confidence, the US economy has continued to perform very robustly since then.

Indeed, many economists are convinced that US bond yields would now be in double figures were it not for the policy relaxation that followed the worldwide slide in equity prices last autumn.

Hindsight has also cut the so-called wealth effect down to size, along with the reputation of much of the economics profession.

Clearly the linkages between the real economy and the financial markets are more elusive than many forecasters would have had us believe.

In most countries the chief impact of the crash has been localised: the top end of the housing market in the south-east of England, for example, has reflected the effect of the crash on the assets and earnings of the financial community. But elsewhere building society surveys reveal continued buoyancy in house prices.

Similarly, the damage has been local in the US, where one of the main lessons of the crash appears to be that Main Street is a million miles from Wall Street.

So what are the prospects for the US economy – which remains the chief focus of international investors' attention – in the current year?

The fear of recession in 1988 certainly looks more remote now and consumer spending, which was expected to absorb most of the shock waves emanating from Black Monday, refuses to go into decline – thanks largely to sales promotions by the car manufacturers in Detroit.

Most forecasters expect the increase in the current year to be slower than in 1987, and well below the rises of more than 4 per cent seen in 1985 and 1986.

Yet with employment and income growth remaining strong, households are able to increase savings and rebuild their asset portfolios without making dramatic cuts in consumption. The manufacturing sector, meanwhile, is expanding swiftly on the back of more competitive exports and bigger order books for capital equipment.

The trouble with this otherwise favourable picture is that it takes us back to the pre-crash debate on the US economy.

Doubts have always centred on whether the US has sufficient capacity to cope with a large reduction in the trade deficit without unleashing inflationary pressures.

If the economy is up against capacity constraints, domestic demand will clearly have to be curbed to release capacity for the task of reducing the trade deficit.

And with tighter fiscal policy ruled out in a presidential election year, the obvious adjustment mechanisms would be a rise in interest rates that might threaten to precipitate another market slide, or a further dollar devaluation which would contribute, through inflation, to a squeeze on real incomes.

The counter argument is that capacity figures have been rendered meaningless by the huge structural changes imposed on the US economy since President Reagan took office.

Just as the overvaluation of sterling in the early 1980s caused a massive upheaval in the traditional sectors of the British economy, so the recent overvaluation of the dollar has dramatically transformed the profile of US manufacturing industry.

While the figures point to looming capacity constraints, the British experience in the wake of the 1986 devaluation of sterling seems to indicate that official statistics are remarkably bad at capturing events in the real economy after a massive, currency-induced shock.

There is, however, one obvious respect in which the US cannot be compared with Britain. The fact that it accounts for more than a third of industrial world GNP makes it more resistant to balance of payments crises than the more open economies of Europe – not least because its ability to rock the rest of the world's economic boat gives it powerful leverage vis à vis its main trading partners.

The October crash undoubtedly added to the impetus for economic policy co-ordination with the other developed countries, which helped, among other things, to reinforce the shift to a more expansionary fiscal policy in Japan.

Last week's Group of Seven meeting, together with the central banks' concerted response to a very poor set of US trade figures, appeared also to confirm that Mr James Baker, the US Treasury Secretary, has persuaded his G7 colleagues that there should be no currency storms or public disagreements in an election year in which he is actively promoting the interests of Mr George Bush.

Whether the equity and bond markets will be equally happy to buy this line remains to be seen, for investors continue to worry about the slow pace at which the trade imbalance between the US and the rest of the world is being corrected.

And while the central banks have enjoyed relative success in handling the speculators so far this year, the political will, especially in Western Europe, to accumulate more dollars appears to be waning.

The striking feature of the post-crash world is how little has really changed – which suggests that it might be unwise to rule out the possibility that the markets will have a second shot at imposing their own adjustment mechanism for global imbalances before the year is out.

Confidence remains distant memory

THE CONFIDENCE of investors around the world was dealt a severe blow by the October crash. Though markets have recovered from their lows, last week's turbulence shows that it is still a long way from returning.

Investors are reluctant to commit substantial amounts of money to equity markets, particularly to those outside their own countries. This is in spite of continuing economic growth, generally strong corporate earnings and bursts of takeover activity.

Stock market volumes have dropped dramatically, putting pressure on the broking industry.

In the US, the Dow Jones Industrial Average stocks index reached a post-October crash peak last Tuesday of 2,110.80, 21.4 per cent above the low recorded at the close on October 19 of 1,738.74.

Yet the coincidence of an extremely vulnerable dollar, bad trade figures and fears of higher interest rates raised the ghost of Black Monday – which had seen the same combination of factors – and sent the market down more than 100 points on Thursday.

Many characteristics of the market's behaviour over the last six months have been worrying. Most serious have been the low level of institutional and private investor participation and the sluggish volume.

Another feature has been the underperformance of blue chips, which have been outstripped by second-tier shares.

In Britain, the Financial Times-Stock Exchange index of 100 shares, which fell by a third, remains 22 per cent short of pre-crash levels and has failed to move convincingly above 1,800, the level to which it fell initially on Black Monday and Tuesday.

Domestic factors, including a favourable Budget and successive reductions in interest rates, have helped; equity trading volume recovered briefly as the City scented in advance the substantial cuts in personal taxation, but volume has fallen to about 400m shares, against more than 1bn before the crash.

The Japanese market has been much stronger. Last week, the Nikkei average of 226 leading shares on the Tokyo Stock Exchange burst through its pre-crash peak of 26,646.40 into record territory and has remained there, underlining the contrast between it and other markets.

Nevertheless, Japan's big institutional investors have been extremely cautious; this is probably the most important lingering effect in Japan of the crash. It was a main factor in the 56 per cent drop in trading volume on the Tokyo Stock Exchange from a daily average of 1bn shares a day last September to a low of 445m in December.

The impact on portfolio investment abroad has been even more dramatic. Last year, the net outflow of Japanese funds into the US equity market reached $16.9bn.

This year, it is estimated to have slowed to a $200m trickle.

Foreign investors, hitherto sceptical, have been net buyers of Japanese shares since January, although the market is on a price/earnings ratio of about 65.

West German shares suffered more than other Continental markets in the crash and afterwards and have staged an impressive comeback since.

However, last week's disappointing US figures have thrown the upturn into doubt.

The German market remains well below its 1987 levels. The FAZ index on Friday stood at 454.49 – an improvement on its 1987 low of 400.13 posted on November 10, but a long way below the 676.84 high recorded on January 6 last year. Equity turnover remains depressed.

One reason for the big fall was the market's traditional dependence on foreign buyers, and the risk aversion of many German institutional investors.

The French stock market was also falling long before the October crash, and has remained consistently weak although it did rally in February. The CAC index ended last week at 296.8, down 17 per cent from its level on October 19 and 36 per cent below the peak it reached last spring.

Finance ministry officials have pointed to the dependence of Paris on overseas investors, and the consequent effect of the focus of investment on home markets since the crash.

Uncertainty over the outcome of next weekend's presidential election has put investors off equities. The only spur has been an unusual surge in takeover activity.

Switzerland's equities market is also recovering only slowly from the crash, when the share index dived by 38 per cent in five weeks.

A gradual strengthening was interrupted last month, with prices down almost to the November low again, and by mid-March the index was still only about 11 per cent higher.

There are plenty of reasons why the market should be stronger. Company earnings have been good, the Swiss franc remains stable, the economy continues to grow and institutional investors are swimming in liquidity.

The average share yield is up to about 2.45 per cent, compared with a 1.9 per cent inflation rate. Yet investors, concerned at the low dollar and its effect on the Swiss economy, still prefer bonds.

Tokyo's strength has not rubbed off on other Pacific markets. Australia, one of the world's most overheated markets before the crash, was among the worst performers and has been one of the slowest to rebound.

The All Ordinaries Index lost about 50 per cent of its value from its peak of nearly 2,300 in mid-September to its trough of 1,151 on November 11. In mid-April, it remained about 37 per cent off the peak.

The crash was felt heavily among stocks of companies run by well-known entrepreneurs such as Mr Robert Holmes à Court and Sir Ron Brierley. These have also been among the slowest to recover.

The restoration of international interest in the Hong Kong market has been slow following its controversial four-day closure, after which prices were marked down 40 per cent.

However, share prices have have been firmly underpinned by local investors who remain convinced that bargains are there for the taking when the Hang Seng index dips to 2,300.

Reports by Janet Bush, Terry Byland, Ian Rodger, Haig Simonian, George Graham, John Wicks, Bruce Jacques, David Dodwell and Alexander Nicoll.

Nicholas Brady: 'loaded gun'

'I call it the nearest thing to a meltdown I'm ever likely to see,' John Phelan, chairman of the New York Stock Exchange, after trading had finished on October 19, 1987.

* * *

'The Federal Reserve, consistent with its responsibilities as the nation's central bank, affirmed today its readiness to serve as a source of liquidity to support the economic and financial system,' Federal Reserve statement, October 20, 1987.

* * *

'An accident waiting to happen,' Fed chairman Alan Greenspan in congressional testimony, February 2, 1988.

* * *

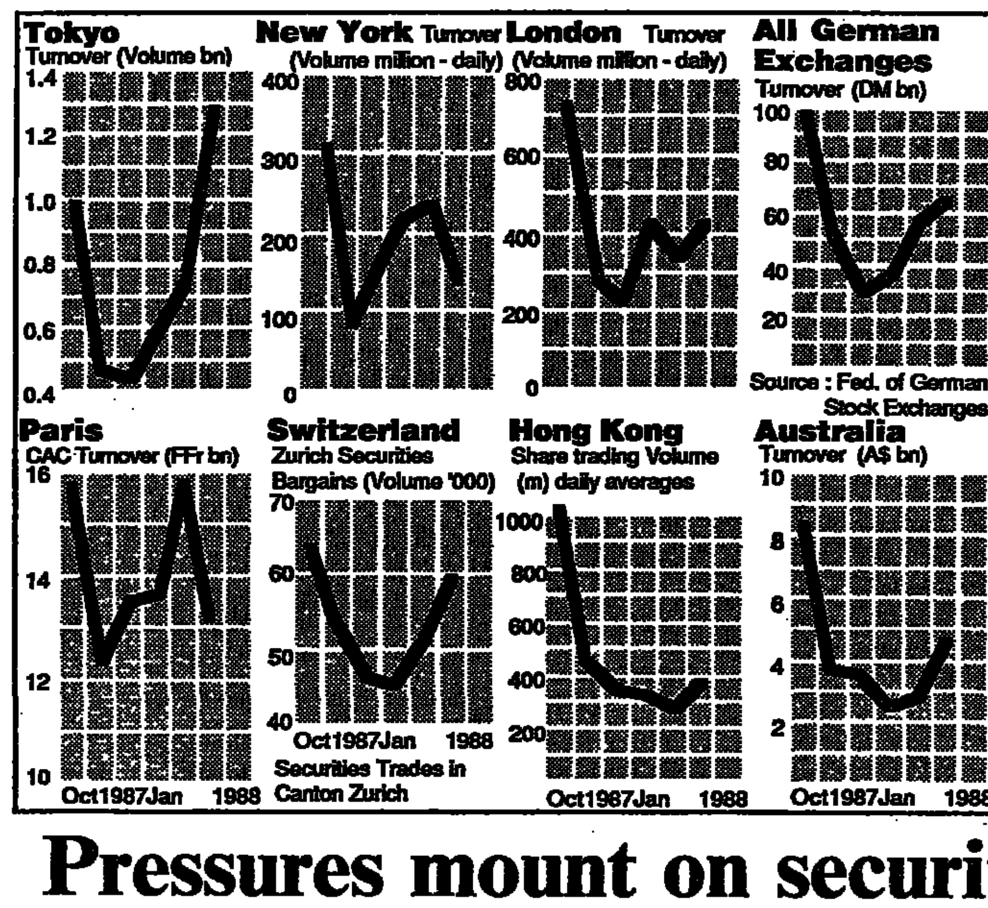
'We are looking down the barrel and the gun is still loaded,' Nicholas Brady to the Senate Banking Committee, February 2, 1988.

* * *

'I think that this year will mark the start of the sixth foreign investment boom in the Japanese market since the war,' Michio Oikawa of Nomura Securities in January on the return of foreign investors to the Japanese market.

* * *

'The great economic non-event of 1987,' Chancellor of the Exchequer Nigel Lawson to the interim committee of the International Monetary Fund, April 14, 1988.



High debate but no action

BY JANET BUSH IN NEW YORK

THE RESPONSE of the US securities industry, regulators and politicians to the October crash has been both enormously conscientious and lacking in substance.

In no other country which experienced turmoil in its capital markets has so much effort been put into trying to discover what went wrong.

Practically every public and private body with an interest in the securities industry has delivered its verdict, providing the basis for an intensive debate about what should be done to prevent the same thing happening again.

And yet little concrete action has been taken. A vague consensus has been reached on many aspects, but progress in implementing changes has been stymied by turf battles, clashes in ideology and, at times, complacency.

Six months after the crash, one cannot help feeling an alarming sense of *déjà vu*. Time and time again, the market has teased expectations.

It has looked healthy enough at times to suggest to those naturally disposed against interfering in financial markets that no action need be taken. In this category lie the Chicago futures markets, which vehemently oppose any legislative initiatives, and the Reagan Administration itself, which leans toward deregulation and does not want, in election year, to alienate any part of the industry which has supported it.

Then again, the market has suddenly looked chronically vulnerable, strengthening the hand of those who feel long-term adjustments need to be made.

Mr Nicholas Brady, head of the presidential task force set up to review the causes of the crash and make recommendations on corrective action, and Senator William Proxmire, chairman of the Senate Banking Committee, belong to this group.

After six months of intensive discussions, several common themes have emerged, although no agreement on policy changes.

A consensus was quickly reached that the various financial markets are interdependent and more co-ordination is needed in regulating and managing them.

There is broad support for a single clearing and settlement system across the various market segments. Theoretically at least, regulators and exchanges are agreed that, at times of acute stress, the co-ordination of emergency procedures such as trading halts might prove useful.

Above all, exchanges and regulators appear to share a genuine concern that excess volatility frightens investors away and that it should, to some degree, be discouraged. In the past few months, the exchanges themselves have taken steps to address the problem of volatility.

The New York Stock Exchange has asked programme traders executing large stock index arbitrage transactions to refrain from using its Superdot electronic order system when the Dow Jones Industrial Average rises or falls by 50 points or more.

The NYSE has also increased capital requirements for its floor specialists or market makers and is currently discussing the possibility of shutting down the market entirely if the Dow were, for example, to move by 200 or 300 points. Futures and options exchanges in Chicago have ushered in changes which, in the context of their steadfast stand against congressional calls for legislative action, represent a significant compromise.

Margin requirements on some futures contracts have been raised to about 13 per cent, from 5 per cent before the crash, in an effort to curb excess speculative activity, while some price limits have been introduced.

The longer-term impact of these moves is unclear. The experience of the last few weeks suggests the New York Stock Exchange's curbs on stock index arbitrage have only partially succeeded in dampening volatility.

While the exchanges themselves have taken steps to improve market conditions – through both a genuine desire to woo nervous investors back into the market and an equally real fear that Congress could force unpalatable changes on them if they did not act – the regulators have notably failed to come up with any agreed solutions.

The Securities and Exchange Commission and the Commodity Futures Trading Commission, which oversee stock markets and futures and options exchanges respectively, are at loggerheads on jurisdiction.

The recommendation of the Brady Commission and a concept echoed in a bill introduced in the Senate Banking Committee that there should be one overall regulator, or "superagency" – comprising the SEC, the CFTC and the Fed – has attracted little support. The SEC wants to oversee stock index futures, the CFTC will not cede control and the Fed does not want to arbitrate between the two.

Pressures mount on securities firms

BY ALEXANDER NICOLL

BULL MARKETS are also active markets, bear markets are not. More than anything else, this simple truth clouds the future for many of the world's securities houses.

The years leading up to the crash were not only an era in which stock and bond prices showed enormous rises worldwide; they also saw concomitant expansion of the securities industry and its explosion into cross-border business.

Commercial banks rushed to set up securities operations. Liberalisation of regulation also contributed to the creation of what was, even before the crash, a grossly overcrowded industry ripe for slimming.

The fall in stock market trading volumes around the world since October means it is even harder to make a worthwhile profit.

Brokers working on an agency basis depend on commissions from their customers. Those operating as principals – trading for their own account – depend on active, liquid markets in which there are end-investors prepared to buy stock. Otherwise, markets become purely inter-professional, a zero-sum game of pass the parcel.

The first effect of the crash was the disappearance of a – surprisingly small – number of securities firms.

E.F. Hutton, which already had a chequered past, was finally forced into the arms of Shearson Lehman. A few specialists on the New York Stock Exchange were swallowed up and companies such as First Options in Chicago received sizeable capital infusions from their parents.

Elsewhere, there were losses – including some notable ones for market-making firms in London – but no disasters.

However, the second, and more far-reaching, effect is continuing.

The crash gave fresh impetus to a natural shake-out process which was already under way. There have been unceremonious sackings in both London and New York, the centres in which the greatest expansion had been seen. In London, nearly 3,000 job losses have been announced since June.

There, two separate factors had been responsible for massive growth of securities businesses. The Eurobond market, which is centred in London, had grown astonishingly. In the domestic UK markets, the Big Bang reforms of October 1986 had created a burst of competition. Most banks felt that unless they had a go at the UK markets, they would lose forever the chance to establish themselves.

While the stock market remained active for the following year there was business to keep most firms going, in spite of the competitive cutting of newly-freed commissions and the huge increase in the number of would-be big players. That cannot be said now.

As well as forcing redundancies, the crash has highlighted the cultural and management problems created by Big Bang, especially among conglomerates owned by large UK banks, several of which have reacted quickly and negatively to the volatility – or simply the low level – of their earnings from securities markets.

There is a third, potentially more long-lasting, effect of the October crash which has a particular impact on international strategies.

Cross-border investment in most areas has slowed to a trickle as investors adopt a no-place-like-home approach, and on fears about illiquidity of markets after bad experiences during the crash.

Moreover, not only has new issue business in domestic markets slowed, but international distribution of new issues has virtually halted.

Securities firms, especially those which had turned to equities because they were more lucrative than Eurobonds, had based their strategies for the future on continuing expansion of international business.

Such plans must now be on hold for most – although not necessarily for those specialising in still-prospering areas such as Japan.

Most bankers believe that, in the long term, the tide of cross-border investment is too strong to stop, given competition between fund managers and modern communications. But for how long will they be able to afford to wait?

SECTION III

FINANCIAL TIMES SURVEY

Industrially and socially a new Italy is now emerging, though Italians still hold to traditional ways and some dubious practices. The political will is growing to bring in necessary reforms but stable government is needed to make these a reality, as **John Wyles** reports.

Success of a young nation

A YOUNG nation not much more than a 100 years old, struggling with steady success to out-perform its elders and betters, Italy is unique in Western Europe.

With an entirely characteristic mix of prudence and bravado, discipline and disarray, strategy and spontaneity, the Italian experience is absorbing, entertaining and, for the foreigner, not at all easy to understand.

There is, for example, a certain notion around that Italy is regressing.

This takes its principal reference from the fact that the fall of the second Craxi government in March of last year, after 43 months of prime ministerial continuity, has been followed by another of Italy's eternally inconclusive general elections and then a coalition headed by Giovanni Goria which lasted no more than a tortured eight months.

What is really happening is that the 1980s have been witnessing the construction of a "new Italy" on the somewhat uncertain foundations of the old.

Its most obviously positive economic elements are a Gross Domestic Product which has grown into the third largest in Western Europe after West Germany and France; a modern and expanding private manufacturing sector whose leading lights have been feverishly acquiring overseas assets; a much better managed and financially healthier public sector; and the emergence of a still-embryonic financial services industry.

Socially, the new Italy is urban-based, employs a growing number of women (32 per cent of the workforce) and is rapidly "greying" because of falling birth rates and increasing life expectation.

But since the architects and constructors of the new Italy are Italians, steeped in the political and social ways of the old, there is, to say the least, a certain continuity of custom and practice which has left a number of key problems unaddressed.

The novelty to be stressed about Italy in 1988, however, is a marked dwindling of complacency about the inevitability and acceptability of some of the weakest social and political features of the old Italy.

And this is where the foreigner must beware, for while he may in the past have not taken Italians seriously enough, there is still a danger of taking them more seriously than they take themselves. How much of the past do they really mean to jettison?

Look, for example, at some of the main elements of the programme of the new five-party coalition to be headed by Mr Ciriaco De Mita, leader of the Christian Democrat party.

Negotiated in unusual detail under pressure from Mr Craxi, the programme promises among other things, institutional reforms and the restructuring of public administration, reduction of the government deficit, development of the Mezzogiorno, measures to combat corruption and preparation for the European Community's 1992 internal market deadline.

On paper the programme measures up well against many of the challenging problems of old Italy.

The institutional reforms promised are not fundamental in the sense of re-writing the constitution and changing the electoral system, but there is no good reason for believing that such radical measures would guarantee greater stability of governments.

These come and go with distressing frequency because power is monopolised by parties of the non-Communist centre and right which are in a state of continuous competition for political influence and electoral support.

Essentially, the De Mita government will aim to streamline parliamentary procedures to speed up the appallingly slow legislative process, and curb the possibility of parliamentary ambushes of the kind which grievously weakened Mr Goria. Such changes could certainly help to raise the efficiency and quality of government.

The need to curb the Government's budget deficit is manifest. Total indebtedness now virtually equals GDP and annual deficits of more than 11 per cent of GDP are keeping interest rates artificially high. They are also probably unsustainable in a Europe of free capital movements.

The Mezzogiorno is the central economic and social problem, largely responsible for the nation's 12.4 per cent, and rising, unemployment rate and furnishing only 25 per cent of its GDP with about 36 per cent of its population.

Considerable amounts of bureaucratic and political attention, not to speak of the expenditure of about $160bn since the early 1950s have yielded some closing of the economic gap for regions alongside the Adriatic coast, but Calabria and Sicily are still trailing badly.

Preparation for 1992, meanwhile, has many aspects, two of which have been identified as particularly important. One is the overriding need to translate EC directives into national law.

Italy is one of the worst offenders on this front with about 250 directives not yet applied, largely because it is very bad at legislating. The other requirement is for a domestic anti-trust law aimed at protecting consumer interests.

The law may need to confront the startling horizontal growth of groups like Fiat and Ferruzzi and De Benedetti into banking, financial services and particularly newspapers and television.

By itself, an anti-trust law will not address one of the central problems of old Italy, which is also a powerful motive force for growth in the new Italy.

The commanding heights of private Italian capitalism may certainly have reached a higher altitude of profits and power, but they are still largely controlled by long-established concentrations of economic and industrial power — Mediobanca (the state merchant bank now being privatised), the Agnellis and Pirellis, to mention the most celebrated.

But it looks risky for the future of the country to be excessively based on the fortunes of a few large groups. There is a need for recruits into the big league from the ranks of the thousands of small and medium-sized companies which are the legendary backbone of the Italian economy.

These are short on technology, professional management and on access to the preferential finance enjoyed by the big groups. The giants, however, still prefer to use their great political influence to maintain their present advantages, ranging from easy access to government finance and favours, to an underegulated stock market.

The trade-off for which a determined government could offer would be a steady improvement in public services, from the railways to the post, from health to telecommunications, which currently impose competitive handicaps on Italian business, in return for acceptance of a more open and pluralistic financial system.

But will the Government be determined or will it be another nine-month non-wonder, partially paralysed by party rivalries? Most of Mr De Mita's key priorities have been key priorities identified by previous governments, but they have not been adequately confronted because they require stable, co-ordinated, efficient government and administration.

Party rivalries are certainly not about to disappear, but they may be sufficiently subdued to permit some forward momentum if the policy programme proves to be the sufficiently balanced package which it appears. Moreover, Mr De Mita is the leader of the country's largest party.

If Mr Craxi uses his pivotal power to unseat him, early elections may be unavoidable, with little possibility of resuming Christian Democrat-Socialist co-operation afterwards.

The alternative would then be for one of the two to turn to the Communists, and in the meantime a huge amount of governing time would have been lost when time is not really on the Italy's side.

But Italians are now more generally aware that external pressures are imposing an urgent need for modernisation and change. They know that their economy is now more interdependent than it has ever been and as a result Italians of all classes are more disposed to gauge their performance according to international comparisons.

The 1992 deadline is in many ways a fearsome challenge which could impose huge penalties on the nation's finances and economic development if existing political, bureaucratic and financial handicaps are not removed.

Italy's various elites *appear* to be hugely persuaded of this, and in a society where consensus is the key to change, this unanimity is both a necessary and encouraging condition for optimism.

There are, however, crucial ingredients still missing in Italy's political culture which would ensure a smooth transition. One which could be conjured up quite quickly is a clearly and influentially articulated taxpayers' interest.

The taxpayer lacks political weight in Italy because large swathes of the middle classes and artisans evade taxes on a massive scale. One recent academic study estimated total evasion in 1984 as worth L182,000bn, more than enough to wipe out the annual government deficit.

Their relative freedom to do so is an unwritten compact with the major political parties — a central prop of the old Italy. Some moves have already been made to tighten up, but much more needs to be done.

The political effect, if all this happens, could be to change the face of Italian politics by stimulating a real popular demand for efficient services, less waste and a halt to the illegal appropriation of public money by the political parties and organised crime.

A diminishing of the black economy would be a small price to pay for all that.

ITALY

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Left: Statue in the Piazza di Campidoglio, Rome
Pictures by Alan Harper

Italy is one of the few nations to have increased its aid programme

Aid donations an integral part of foreign policy

LATE IN March in China, a crowd of Chinese and Italians gathered in the square outside the Chong Quien City Hospital.

While bystanders waved banners praising *Italian-Chinese* friendship and a Chinese band played celebratory music, Italy's Foreign Minister, Mr Giulio Andreotti, joined Chinese dignitaries in cutting a red silk ribbon to inaugurate a new Centre of *Emergency Medicine*, the third such centre donated by the Italian government.

The total cost, Italian Foreign *Ministry officials* say, was L20bn, an outlay welcomed both by the recipient Chinese . . . and by the Italian medical suppliers and architects who won the contract to design and outfit them.

The inaugurations, however, were not all that unusual. For while the foreign aid contributions of many other developed nations have been dropping, Public Development Assistance (APS) has become a major component of Italy's foreign policy.

This year alone, the Italian *government has earmarked some* L4,500bn for development assistance, in comparison with only L300bn a decade ago.

Several dozen projects have been approved for various countries since Parliament voted a new Foreign Aid Bill in February 1987 that totally reorganised the development assistance programme.

These include: construction of a cereal storage silo in Turkey; modernisation of the electricity lines in Dakar, Senegal; an agri*cultural mechanisation pro*gramme in Morocco; introduction of a microwave digital transmission network in Costa Rica; construction of the Nol Turesh aqueduct in Kenya; a natural gas treatment centre in Argentina; a vast agricultural development programme in Peru; and a radar system for the Chiang Mai Airport in Thailand.

All these are giving work to Italian factories, engineering firms and construction companies.

Italy's emphasis on tied aid in its bilateral aid programme – about 80 per cent of the aid is procurement-related – has led to *criticism from foreign aid purists* abroad, largely in the Scandinavian countries and, to a lesser degree, at home.

But Italian officials feel no need to apologise. "We think it's better to give 100 in tied aid than *50 in untied* aid," says Mr Antonio Badini, Director-General of the Foreign Ministry's Directorate-General for Co-operation for Development.

In fact, with current allocations equal to 0.4 per cent of GDP – the UN target is 0.7 per cent – Italy is now is one of the world's leading donor nations, even though many of its peers enjoy a *significantly* higher per capita income and have a *far* lower unemployment rate.

The outspoken Radical Party, which *has long taken a special* interest in foreign aid, has often accused the Government of basing its aid programme on commercial interests, rather than on the existence of real poverty.

But most of the dissatisfaction within Italy with regard to the programme comes from businessmen who feel that state and large private companies have enjoyed most of the benefits.

"Access to involvement in the programme is simply too limited," says Alberto Sbrocca of the Economic Relations Office of Confindustria, the Italian national manufacturers' association. Confindustria would like the foreign aid projects to be better publicised to allow more Italian companies to offer competing bids.

There have also been charges of inefficiency, waste and corruption. Early this month, the Radi*cals accused the government* of having given $70m to Somalia in 1985 for a fertiliser plant that was never built.

Repeating charges made by a former Somali Minister, Ali Khalif Ghalayo, now living in exile in the United States, that the money allegedly went into the pockets of Somali President Siad Barre, the Radical leader, Francesco Rutelli, said the Italian foreign aid programme was char-

Dissatisfaction comes from businessmen who feel that state and large private companies *have enjoyed most of* the benefits

acterised by "fragmentation and waste."

"It's like a large department store that must have something for everyone," Mr Rutelli said at a news conference earlier this month.

The fact remains that Italy is one of the few donor nations to have increased its aid programme during the recent economic slowdown. Further, it is also the country that gives the biggest proportion of its largest overall aid package to international organisations.

About 40 per cent of total Italian foreign aid – all of which is untied aid – now goes to multilateral organisations like UN agencies of international finan*cial* institutions such as the World Bank.

The continuing sizeable contributions from France and Italy may deserve the credit for keeping the Bank's International *Development Agency alive*. And Italy is currently the number one contributor to Unicef, and one of the principal donors to UNFDAC, the UN's anti-drug assistance programme.

Not surprisingly, then, the 1987 OECD report on Co-operation for Development refers to 1986 as *l'annee de l'Italie*. That year the Italian government's $2.4bn outlay for foreign aid represented a 58 per cent jump in value, for the first time exceeding the average of the DAC or major donor nations.

Yet throughout the 1970s, Italian foreign aid was minimal, lim*ited to humanitarian* assistance and concentrated largely in Africa. Significant change came in the early 1980s when political pressure, largely from the Radicals, led to the "law against hunger" and the highly-endowed Italian Aid Fund (FAI), set up with L1,900bn to deal with the dramatic consequences of the drought in the Sahel and in Sub-Saharan Africa.

Controversy over the operations of FAI, plus a re-evaluation of the goals and means of a foreign aid programme, *led* in early 1987 to the passage of Law 49 which merged FAI and the then-existing Department of Co-operation into the current Directorate General for Development Co-operation.

According to *Minister Badini*: "The new lines of Italian action were dictated primarily by ethical-political considerations."

The policy, he said, was born of moral reasons but has since become more political. "We want to intervene in areas where human dignity is suffering, but also in areas where aid can help to support democracy where it is fragile, or to further pacification in areas of conflict."

Thus, the ten priority target nations selected in September 1987 by the Interministerial Committee for Development Co-operation (CICS) include Argentina and Peru, China and India, Egypt and Tunisia along with Ethiopia, Somalia, Mozambique and Tanzania.

At the same time the Committee drew up a list of sectoral guidelines, ranging from agriculture and food, health training, infrastructure and industry to natural resources, environment, energy and raw materials. The CICS decides on all projects except those costing under L2bn which the Directorate General can decide by itself.

As it stands now, the bilateral aid programme is divided into two branches, the Co-operation *Fund*, which disburses grants and the Revolving Fund, which awards soft loans and mixed credits as well as arranging for Italian equity in joint ventures.

Grant aid, currently at L1,400bn (about half of which consists of emergency aid), is generally reserved for the poorest countries, is aimed at satisfying "primary needs" and almost always consists of an untied chunk for local expenditures for the purchase of raw materials, capital goods and employment.

The terms of the soft loans differ according to country situations. Those with per capita incomes of under $1,000 generally carry a 1.50 per cent interest rate and have a 20-year repayment schedule that includes a 10-year grace period.

For those with a per capita income of between $1,000 and $2,500 the interest rate is 1.75 per cent and where per capita income exceeds $2,500 the interest rate rises to 2 per cent and the grace period falls to four years.

Sari Gilbert

ITALY IN QUOTES ...

"THIS is a country which, rightly, cannot impose anything on anybody – Giovanni Goria, former Prime Minister.

"Everyone to his own trade; the last time I was Finance and Budget Minister was 1974" – Giulio Andreotti, when asked to answer criticism of budget proposals.

"The Autostrade are over*loaded and old, transport is inef*ficient, the postal system does not work, the telephones crackle, the bureaucracy is slow, costly and useless – this is not a modern country" – Giovanni Goria.

"It has not been achieved, and neither do I think it achievable in a public sector group" – Romano Prodi on whether managers can be denied political affiliations.

"If *Agnelli, De Benedetti and* Gardini decide today to go to war against someone or something, who can stop them with the power they have accumulated and with control of 70 per cent of the Press" – Paolo Cirino Pomicino, president of the budget committee of the Camera (Lower House of Parliament).

"I have discovered that almost everyone thinks of politics in terms of power" – Ciriaco De Mita, secretary of Christian Democrat party and Prime Minister.

Profile: Giovanni Goria

A difficult tenure

Giovanni Goria: crises

THE BEARD is a little greyer, and the shape perhaps a kilo or two weightier than when he walked into the Palazzo Chigi as Prime Minister last July.

But the final days of his period in office undoubtedly revealed a much more tranquil Giovanni Goria than at any time during his tormented eight months at the head of Italy's 47th post-war government.

Fresh from an Easter break and with vast areas of open space in his diary, the 44-year-old outgoing premier was clearly finding the task of governing on a care and maintenance basis rather dull.

He is undoubtedly one of the most sympathetic of top Italian politicians, possibly because he is more direct and less sinewy than most, and his gruff modesty has won him quite a following.

Since his resignation on March 11 the spotlight has switched to the slowly perambulating efforts to form a government of Mr Ciriaco De Mita, the leader of Mr Goria's Christian Democrat party.

For more than three weeks then, he had been Prime Minister largely in name. But how much power attaches to the job at the best of times when members of the Government are nominated by party leaders and then enjoy considerable autonomy as Ministers?

Mr Goria believes that much hangs on the political authority of the occupant and this largely depends on his standing in his party.

He does not feel responsible for any serious failures over the past eight months and believes that on one important issue – regulating public sector strikes – he took a personal initiative which, though it brought him into conflict with the Socialists, has created sufficient consensus for the next government to take action.

Mr Goria had his share of the unforseen crises which afflict any government: a natural disaster in the Alps, a prison siege, public sector transport strikes, a row with the Vatican over the teaching of religion. But he could reasonably have expected a longer span before his first resignation last November when the tiny Liberal Party had a tantrum and walked *out of his government*.

Critics spotted a lack of experience and authority in his handling of this crisis, but once told *by President Cossiga to stitch his* government together again, there was very little Mr Goria could do about the next tumble in February which prompted him to throw in his hand a second time.

By then his government had been defeated 17 times on details of the 1988 Finance Bill, largely because members of his own party were using the anonymity of the secret vote to push him out of office.

Again, powered by a sense of "duty" (a word he frequently uses) he took up the reins, but this time for only as long as was needed to secure final parliamentary approval for a budget that was a distant shadow of his government's original proposal.

The "accountant from Asti," as he is known, is too loyal a party man with a long future in the front ranks ahead of him to profess any bitterness about the way he has been treated by his party. Indeed, what others saw as a crude struggle for power within the party designed to evict Mr Goria so that Mr De Mita could be pushed into the premiership and out of the party leadership, Mr Goria characterises as a desire by Christian Democrats to demonstrate their strongest possible commitment to good government.

"Mine was not a government much appreciated by some sections of the Christian Democratic Party," Mr Goria says, without a touch of the gloom which was evident a couple of months ago. He had not taken his defeats personally.

"We are all in a very complicated game and we must measure the game as it is, because there is no other."

Italian parties have been grandly debating altering the rules of the game for nearly four years, but Mr Goria reflects his party's extreme caution about fundamental reforms which might threaten its 40-year hold on power.

Changing the electoral system to reduce the number of parties, currently 14, in the parliament might, he suggests, be too great a sacrifice of the representation principle. More important, he says, are some nuts and *bolts* reforms to parliamentary rules to limit secret voting and to speed up the legislative process.

"I say this: that if after so much talk we do not even succeed in reforming the parliament's rules, then the people will no longer believe in institutional reform. This is the priority for the next few weeks."

Greater stability, he suggests, could *flow* from Mr de Mita's proposal that potential partners should fight a general election already committed *to forming* a coalition government if they win a collective majority.

Others may see this as a self-interested idea for prolonging the hold on power of Italy's largest party. Certainly, Mr Goria is not much attracted by the argument – espoused, among others by the late leader, the assassinated Aldo Moro – that Italy, and the party itself, would benefit from a period of opposition *for the Christian Democrats*.

The corollary would be a government sustained by the Communists, an alternative so far regarded by all parties as sufficiently negative to have guaranteed the Christian Democrat tenure.

He certainly feels that the party ought to earn some credit for the economic legacy he is handing on after five years as Treasury Minister until last July and then as Prime Minister. Last year's 3.1 per cent growth rate was the fourth consecutive year *of* increased output; inflation has held steady at around 4.6 per cent and, particularly important for the future, investment in plant and machinery climbed by 12 per cent in real terms last year.

He acknowledges that more could have been done to cut the government deficit but puts most of the blame on the parliament "and the interests represented there" for frustrating his programme of 1984 to balance the budget net of debt interest payments by next year.

Mr Goria has seemed to be preparing himself for a spell on the back benches, feeling that an immediately past previous prime minister should not go straight into the next government. But he will almost certainly be back.

Out of Italy's previous 12 Christian Democrat post-war prime ministers, only four have held office just once.

John Wyles

The public sector debt is putting the prosperous economy at risk

Deficit looms as an EC problem

THIS IS NOT a story for the economically squeamish. For it seems that there is an accident waiting to happen to the Italian public economy and if it does so, innocent bystanders in the highly prosperous private economy may be injured.

The problem is this: after a decade of running a public sector deficit growing at an annual rate of 24 per cent, the Italian state has built up a mountain of debt approaching L100 trillion which more or less equals the nation's Gross Domestic Product.

With this on its back, it will nonetheless choose to be part of the European Community's decision, expected at the summit in Hanover in June, to lift all restrictions on short-term capital movements, probably from mid-1989.

But once in this brave new world of freely floating capital and semi-fixed exchange rates, suppose that Italian investors begin to move substantial amounts of capital out of the country, either because they begin to lose confidence in the government's ability to fund the debt or because they can see better short term gains elsewhere.

The exchange rate then comes under growing pressure and the Government is required to act. It reaches for its principal monetary weapon, an increase in interest rates, and shoots itself in the foot, or somewhere even worse.

The reason is that the interest rate tool, which is the most suitable for honouring EC obligations in managing the domestic economy and the exchange rate, only makes the debt problem worse when it serves to raise rates.

It could also achieve the exact opposite of its basic purpose when used to damp down domestic demand or to defend an exchange rate under pressure because of balance of payments difficulties.

Since the cost of servicing 80 per cent of the Italian government's debt is linked to short-term interest rates and the vast majority of it is in Italian hands, higher interest payments would serve to strengthen domestic consumption while at the same time reducing industrial competitiveness, and thus worsening the balance of payments problem.

The eventual response to a run on the exchange rate and flight of capital, therefore, would most likely be the re-imposition of capital controls and direct credit controls. EC obligations would be breached and the lira's continued membership of the European Monetary System put in jeopardy.

State of the economy

% change	1987*	1988†
GDP	+3.1	+2.5
Imports (vol)	+9.7	+7.0
Exports (vol)	+3.6	+3.5
Internal demand	+4.5	+3.4
Consumer inflation	+4.6	+5.0
State deficit (bn lire)	L113,600	L122,000++

* Official govt figures.
† Estimated by Istituto Nazionale per Lo Studio della Congiuntura

The political and economic costs of this "accident" would be substantial. Italy's reliability as a central pillar of the newly-liberalised Community financial system would be nullified. Its desire to punch a political weight commensurate with its economic size – fourth or fifth in the Western industrial world – would be completely frustrated.

Italian business' capacity to share in the benefits of the increasingly integrated European economy would be deeply hindered and operators would be tempted to give foreign investment opportunities a higher priority over domestic ones.

None of this is journalistic fantasy but a reasoned judgement of the consequences of the shocking collision between a worsening debt problem and the reality of growing economic interdependence in Europe.

EC obligations could be breached and the lira's continued membership of the European Monetary System put in jeopardy

"It is a race against time," says a senior official at the Bank of Italy, contemplating the reforms which are urgently needed in Italian public finances if the country is to be part of Europe's integrated financial future.

He was speaking just a couple of weeks after the Italian Parliament had approved a 1988 budget whose deficit, conservatively estimated, will be L122,000bn. This is nearly L10,000bn more than the 1987 deficit, which was 11.7 per cent of GDP.

The Treasury's overall financing requirement, taking into account the need to refinance existing debt, will rise to about L40,000bn-L50,000bn a month.

Mr Goria meets Chancellor Helmut Kohl in Bonn for talks last year

Italian economists are agreed that the economy cannot continue to sustain such deficits without crowding out private borrowing and pushing up real interest rates – already among the highest in Europe – so as to ensure debt funding. The consensus is that the state sector deficit net of interest payments – about L39,000bn in 1987 – should be reduced to zero.

Treasury Ministers have fully shared this view since 1985 when the deficit was L110,000bn and net of interest, L46,770bn. The plan adopted by the then Craxi government was to balance current spending with revenues by this year, but the only "progress" has been to reduce the current spending deficit to L39,000bn in 1987. As a percentage of GDP, however, the current deficit has fallen from about 6 to about 3 per cent.

The politicians deserve only modest credit for this advance which largely reflects large real increases in revenues – up by 9.5 per cent last year against an inflation rate of 4.8 per cent and an increase in GDP of about 3 per cent.

Their most serious failure has been to get a grip on health and pensions which account for 42 per cent of current spending net of interest and which have been growing at annual rates of then 10-12 per cent in the last three years.

The Treasury is again working on a deficit reduction plan which this time would seek to balance current spending by 1992. But the question remains open as to whether there is sufficient political consensus about what needs to be done.

Even if the governing coalition does agree a convincing strategy, the measures needed are a complicated mix requiring a qualitative leap in administrative efficiency, vastly improved tax collection and a new parliamentary discipline which resists the temptation to indulge the appetite for public money of a wide variety of client groups. Some rise in the indirect tax burden, always politically unpopular, will also be necessary.

There is also the need, as a recent study by Giampaolo Galli and Rainer Masera of the Bank of Italy has pointed out, for a gradual adjustment which avoids any serious deflationary impact. On most current forecasts, the Italian economy can look forward to growth rates this year and next of around 2.5 per cent and 2.3-2.5 per cent, slightly above the expected OECD averages.

This is a reasonably strong platform from which to launch a tighter fiscal strategy which, clearly, is not only needed in itself, but also as a confidence booster for the economy as a whole. Most economists believe that the outlook for the lira, assuming the retention of remaining restrictions on capital movements, should be reasonably serene with the currency operating between L1,290- L1,200 to the US dollar and weakening L721-L760 to the German mark.

Much, however, could depend on the evolution of the current account which was in broad balance last year but which is likely to slide into a L3,000bn deficit this year, and perhaps double that next year.

Despite continuingly favourable terms of trade, there is an unmistakeable deterioration taking place on the commercial account, partly due to structural constraints on industrial production which have permitted imports to satisfy a growing slice of booming domestic demand.

Imports rose by 10 per cent in value terms last year and exports by only 3.5 per cent. Textiles, clothing and engineering all registered much-reduced export/import surpluses. Domestic demand this year is likely to fall from 4.5 to about 3 per cent unless public sector pay deals, especially those covering 1m schoolteachers, prove exceptionally generous.

Inflation may drop slightly, from 4.8 to 4.5 per cent and some estimates go down as far as 3.2 per cent for 1989. The Bank of Italy's monetary policy will remain broadly neutral aiming at an expansion of domestic bank credit at about 8 per cent.

Unemployment, however, looks set to rise above the 3m mark from 12 per cent last year to 12.4 per cent this year and 12.8 per cent next. The Italian unemployment problem is now very largely a southern phenomenon, particularly concentrated on the 16-25 age group and among women.

Development of the Mezzogiorno is being pushed close to the top of the list of priorities of the next Italian government and a strategy for spending L125,000bn over the next ten years has already been adopted.

However, there is still a long way to go in defining detailed objectives and projects while many parts of the South lack an administrative infrastructure capable of handling development spending and of keeping public monies out of the hands of the various regional mafias.

John Wyles

Law reform

Far-reaching changes

THE ITALIAN Parliament is introducing far-reaching reforms in the country's system of criminal justice, which for many years has been sharply criticised by civil liberties groups at home and abroad.

The present system, totally unlike that used in the English-speaking world, is the inquisitorial system, whose basic features were devised by the Church of Rome in the Middle Ages to stamp out heresy; and later adopted by the secular states of continental Europe to suppress crime and political opposition.

Only England remained free from its influence, and developed the (originally ancient Roman) "accusatorial" or adversarial system, later to spread throughout the English-speaking world. Subsequently, the inquisitorial method was systematised by Napoleon, and the present system practised in Italy was codified under Mussolini in 1931.

In the EC today, all the countries in mainland Europe use one form or another of the inquisitorial system; the UK and Eire alone practise the adversarial system.

The basis of the inquisitorial system is the figure of the Inquisitor, who investigates the suspect, questions the witnesses, determines guilt or innocence and decides on the punishment.

This figure still exists in Italy, in the Praetor, who deals with so-called "minor" crimes but can give prison sentences of up to eight years.

For more serious charges the Inquisitor's powers and functions are divided among different individuals who, however, constitute a sort of collective Inquisitor; they are all members of the same body – the closely-knit career judiciary, and are severally responsible for all aspects of the administration of justice.

They enter the career judiciary by passing a State examination after a law degree, so it is quite possible to be sent to prison by a 25-year-old. Advocates are a separate body, and never become judges.

In Italy, the career judiciary is completely independent from all other powers of the State, and each of its members is virtually independent from all the others.

The main cause for complaint in Italy has been the exasperating slowness of the system. People are arrested and incarcerated on suspicion, can wait in jail up to two years for their first public hearing, and – at present – may spend even six years in prison before being finally acquitted.

About two thirds of Italy's prison population is today awaiting a definitive verdict one way or the other.

In the mid-1970s a Bill to reform Italian criminal procedure reached Parliament, but was shelved owing to the emergence of the problem of terrorism. More and more draconian measures were passed, and at one point it became possible for defendants to spend 10 years and 8 months in prison while their case was still *sub judice*.

The maximum limits were often used to the hilt. Last year one group of defendants, who included much of the Political Science faculty of Padua University, charged with left-wing political subversion and other crimes, were acquitted on all counts. Some had spent 5½ years in jail.

This case caused grave concern to Amnesty International. Besides terrorism, there was, and still is, the Mafia problem, which lends weight to arguments for a powerful judiciary.

On one night in 1983, about 850 alleged members of the Neapolitan Mafia were arrested. They included Enzo Tortora, the nationally famous TV gameshow host, as well as 144 people arrested by "same-name" error – these latter spending an average of weeks, and in some cases months, in prison before being released.

Three years and three months later, Mr Tortora and many of his fellow-prisoners were given full acquittals.

None of those damaged by this judicial juggernaut had any right to redress. The judges responsible for ruining the lives of innocent people – sometimes just through carelessness – could not be held answerable in law.

This is because Italian law had no concept of wrongful arrest or false imprisonment, let alone *habeas corpus*. The judges, who also do the work that in England is done by police, magistrates, counsel for the prosecution and juries, were protected by a clause in the civil code whereby they could not be sued for negligence.

In the wake of what became known as the Tortora Case, a broad movement started up, backed by the Radical, Socialist and Liberal parties, to hold a referendum to abolish the judges' special exemption from accountability.

The referendum, held in November last year, was won with an 80 per cent majority. Six months later, Parliament is putting the finishing touches to a law relating compensation for victims of judicial negligence.

Meanwhile, Parliament has also been preparing a new Code of Criminal Procedure. Thus should become law in 1989.

The preamble to the Act on which the new code is based says it must embody the features of the accusatorial system. The Italian press have headlined stories: Perry Mason in Italian courtrooms.

As a declaration of intent this certainly represents an historic break with tradition.

Under the new code, the prosecuting-cum-investigating judge will no longer have the power to arrest suspects; he will be required to seek the endorsement of his colleague, the judge-of-the-preliminary-hearing.

Committal to trial will be decided by the latter in a hearing with argument between defending counsel and prosecutor (up to now the defence could only send memos to the committals judge) This hearing will, however, be held in camera

At the trial hearing proper (held in public) the prosecutor and the defender will call their witnesses, examine and cross-examine them directly. At present they can only suggest the names of witnesses and questions: it is the judge who calls witnesses and examines them.

The judge, however, will still retain a power of veto on the calling of witnesses whom he considers superfluous - before they are heard.

Various abbreviated modes of trial, including a form of plea bargaining, are to be introduced in an attempt to unclog the system. The Praetor will no longer investigate, prosecute and try cases all by himself. The maximum limit on detention before final verdict will be lowered to four years.

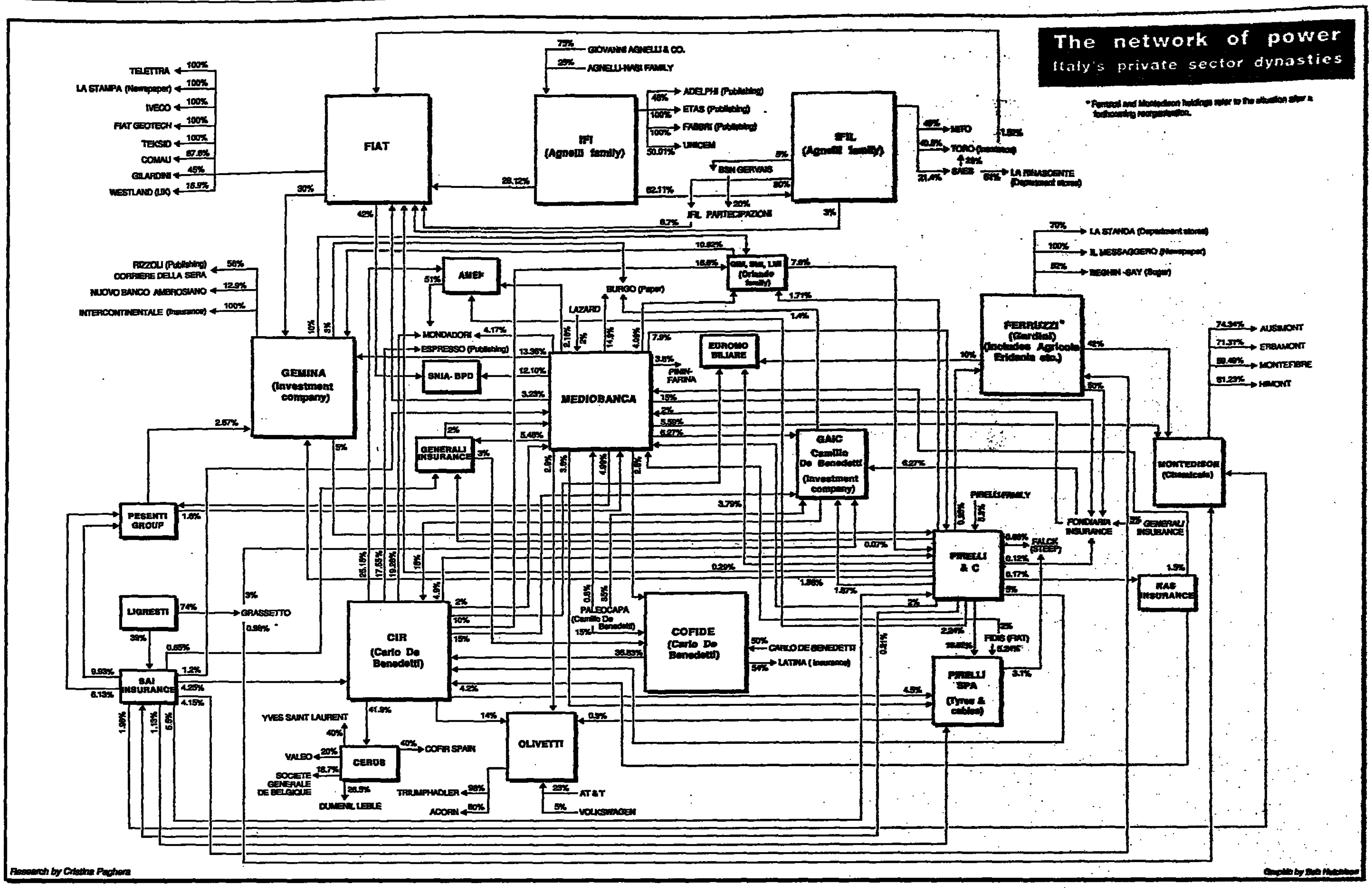
There remains the major problem of the failure to reform the career judiciary. Prof. Giuliano Vassalli, who was President of the Senate's Justice Commission and is now the Minister of Justice, explains that the judiciary was too powerful and would not allow Parliament to reform it.

Senator Marcello Gallo, also an author of the new law, says that they had to start reforming the system somewhere, and that reform of the judiciary would come later.

A group of independent advocates, led by Mr Titta Mazzuca, sometime President of the Roman Criminal Lawyers' Association, have set up a Committee.

They maintain that this new code does not go far enough, and they want to see the full adversary system introduced.

Torquil D. Erikson


The network of power
Italy's private sector dynasties
* Ferruzzi and Montedison holdings refer to the situation after a forthcoming reorganisation.
FIAT
IFI (Agnelli family)
IFIL (Agnelli family)
GIOVANNI AGNELLI & CO.
AGNELLI-NASI FAMILY
TELETTRA
LA STAMPA (Newspaper)
IVECO
FIAT GEOTECH
TEKSID
COMAU
GILARDINI
WESTLAND (UK)
ADELPHI (Publishing)
ETAS (Publishing)
FABBRI (Publishing)
UNICEM
IFIL PARTECIPAZIONI
TORO (Insurance)
LA RINASCENTE (Department stores)
AMEF
GEMINA (Investment company)
RIZZOLI (Publishing)
CORRIERE DELLA SERA
NUOVO BANCO AMBROSIANO
INTERCONTINENTALE (Insurance)
MONDADORI
ESPRESSO (Publishing)
SNIA-BPD
MEDIOBANCA
LAZARD
BURGO (Paper)
GENERALI INSURANCE
EUROMOBILIARE
PININFARINA
FERRUZZI* (Gardini) (Includes Agricola Eridania etc.)
LA STANDA (Department stores)
IL MESSAGGERO (Newspaper)
BEGHIN-SAY (Sugar)
AUSIMONT
ERBAMONT
MONTEFIBRE
HIMONT
MONTEDISON (Chemicals)
CIR (Carlo De Benedetti)
COFIDE (Carlo De Benedetti)
CARLO DE BENEDETTI
LATINA (Insurance)
CERUS
OLIVETTI
AT & T
VOLKSWAGEN
YVES SAINT LAURENT
VALEO
COFIR SPAIN
SOCIETE GENERALE DE BELGIQUE
DUMENIL LEBLE
TRIUMPHADLER
ACORN
PESENTI GROUP
LIGRESTI
GRASSETTO
SAI INSURANCE
PIRELLI & C
PIRELLI FAMILY
PIRELLI SPA (Tyres & cables)
FONDIARIA INSURANCE
GENERALI INSURANCE
FALCK (STEEL)
RAS INSURANCE
FIDIS (FIAT)
PALEOCAPA (Camillo De Benedetti)
GAIC Camillo De Benedetti (Investment company)
Research by Cristina Pagliera

The big players in Italian industry are on the defensive against politicians' demands for anti-trust legislation

Powerful elite still holds sway in private sector

ITALY'S manufacturing industry may have restructured, recapitalised and rebounded since the start of the 1980s. And the country's financial market may have opened up to more players and begun modernising compared to the way things used to be.

But the Italians have done little to alter their rather baroquely-structured network of private sector ownership in which a handful of powerful *condottieri* dominate the scene.

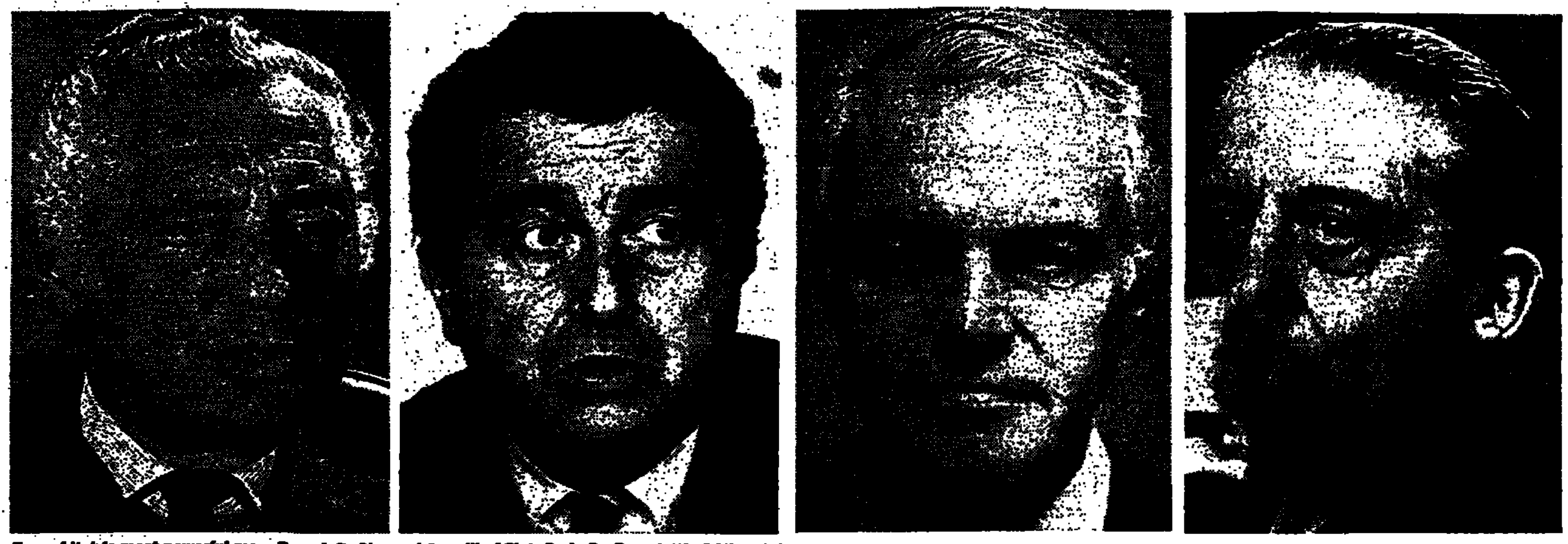
At a time when rhetoric is running high about the need to become more competitive in advance of the opening up of Europe's internal market in 1992, the big players in Italian capitalism are still engaged in an elaborate and potentially wasteful game of corporate chess.

Three of these leading players – Gianni Agnelli, Carlo De Benedetti and Raul Gardini, known respectively as The Lawyer, The Engineer and The Peasant – control companies with combined revenues totalling about US$65bn.

Their flagship companies – Fiat, Ferruzzi-Montedison and Olivetti – are respectively the first, second and third biggest private sector groups.

And Mr Agnelli, the unquestioned *Numero Uno* of Italian business, today controls an array of industrial and financial companies that (with Fiat included) represents 26 per cent of the capitalisation of the entire Italian stock exchange at current share prices.

Other entrepreneurs and financiers have emerged in recent years. Luciano Benetton, whose "fast-food" clothing empire is now approaching a cross-roads, is one. Silvio Berlusconi, the commercial television tycoon, is another.



Four of Italy's most powerful men. From left: Giovanni Agnelli of Fiat, Carlo De Benedetti of Olivetti, Raul Gardini of Ferruzzi, and Enrico Cuccia of Mediobanca

But all of the lesser names, such as Luigi Orlando in metals, Luigi Lucchini in steel, Salvatore Ligresti with his spread of minority investments in various companies, Giampiero Pesenti in cement and engineering or Carlo De Benedetti's cousin Camillo in diversified investments, tend to find it necessary to join one alliance or another.

Orlando, Lucchini and Pesenti are junior members of the *Salotto Buono* or Good Drawing Room of Italian capitalism, meaning the Old Guard establishment led by Mr Agnelli and his friend Leopoldo Pirelli of tyre fame. Ligresti and De Benedetti's cousin are in the Olivetti chairman's camp.

And Mr Gardini, after trying to stand alone for the past three years, is now so beset by debts (totalling nearly $9bn between his Ferruzzi and Montedison groups) that he has run for help to Mr Enrico Cuccia, the 80-year-old maestro of Mediobanca. This is interpreted in Italy as a sign that Mr Gardini is moving closer to the old Agnelli-Pirelli axis.

Mr Cuccia's Mediobanca has now been "privatised." The three state banks of the IRI group are reducing their stake from 56.9 per cent down to 25 per cent. And newcomers such as Mr Gardini, Mr De Benedetti and Mr Ligresti have been brought into the Mediobanca club.

But sceptics in Italian finance say that little has changed. The private sector elite has had an effective veto, and some would say effective control, of Mediobanca since Mr Cuccia devised a secret shareholders' pact in the 1950s which gave a tiny band of minority investors with less than 6 per cent of the bank power equal to the majority state shareholder.

And Mediobanca, with its complex web of industrial cross-holdings, has almost always served the interests of the Old Guard families.

Mr Antonio Maccanico, the senior civil servant turned Minister who has served as chairman of Mediobanca, said on television recently that despite the longing for Wall Street-style public companies, Italian capitalism "is family capitalism."

The Mediobanca privatisation is supposed to represent a gradual dismantling of the bank's old role as guardian of the interests of a select few. But not everyone is convinced it will.

"The old private sector elite ran the show before the privatisation, through Cuccia, and now they will still run the show. All that has happened is that they have been made to put up some cash for that right," remarked the chairman of one of Italy's biggest banks.

Last year, meanwhile, saw the start of demands by politicians from parties across the spectrum (Socialists, Christian Democrats and Communists) that Italy introduce, for the first time, anti-trust legislation.

The demands were immediately perceived in the Italian context as an attack on Fiat's horizontal spread of activities. Mr Cesare Romiti, Fiat managing director, minced few words when he reacted with charges of "anti-capitalist vomit" and threatened "a tough campaign, the toughest ever" against any law that seemed to be directed explicitly at Fiat.

Some form of anti-trust legislation is likely to be written by the De Mita government, at least as far as media concentration is concerned. But it will be heavy going for anything that Rome produces if it appears to challenge the interests of the powerful *condottieri* of the North.

Alan Friedman

Computer production at Olivetti, the third-largest private sector group; and (right) newspapers are also in the conglomerate net

Lack of a co-ordinated policy on state sell-offs is complicated by the deep involvement of the political parties

State industries grapple with privatisation

ROMANO PRODI does not like using the word privatisation. The 48-year-old chairman of IRI, Italy's biggest state holding group, would much rather place the sale of state-owned companies such as Alfa Romeo in the context of what he calls "the mobile walls between the public and private sectors."

Over at ENI, the state energy concern that comes right after IRI in size, Franco Reviglio launches into a tripartite analysis to describe his idea of privatisation. What emerges after a lengthy soliloquy from the former economics professor who has chaired ENI since 1983 is that he, too, tries to avoid a doctrinaire use of the term.

The men who run Italy's two largest state holding groups, which between them last year racked up nearly $65bn in revenues, are not being coy for academic reasons. They are merely avoiding any explicit statements of policy on privatisation because, as Prof. Prodi puts it: "Given the coalition politics of Italy, everything must be discussed with great delicacy."

But it is not just the need to tread carefully with patronage-hungry politicians who like to think of state industry in terms of "jobs for the boys" that makes privatisation Italian-style so very different from the coordinated and headstrong policies of a Mrs Thatcher in Britain or a Mr Chirac in France.

IRI may have sold off 23 companies in the 1980s and may have raised a total of $5.7bn from these and more partial disposals, but Italy has at no time had anything resembling a coordinated government policy on privatisation. The history of Italian public sector industry, meanwhile, from Mussolini's day to the present, is very particular.

IRI in the 1930s was the state's way of saving banking and industrial victims of the Great Recession. This pattern recurred in the 1970s with the state companies becoming dustbins for the private sector's lossmakers.

In the 1980s, the sell-off of state interests was a way of restructuring and reducing debt burdens. Better managed than ever before, today groups such as IRI and ENI remain important players in Italy's famous "mixed economy."

What, then, is the Italian approach to privatisation? The answer to this question is not a simple matter. Prof. Reviglio speaks of three different "roads" which privatisation has followed in Italy:

The first was the outright sale to the private sector of companies no longer considered strategic. The two most notable examples were IRI's sale of Alfa Romeo to Fiat in 1986 and ENI's sale of Lanerossi (a textiles producer) to Marzotto last year.

A smaller case was the earlier sale by IRI's Banco di Roma subsidiary of the Banca Centro Sud, to America's Citibank.

The second approach has been the sale of minority shareholdings in public companies on the Milan bourse. Here there are numerous examples of companies such as Saipem (oil pipelaying and drilling), Nuovo Pignone (engineering) at ENI or Alitalia, SIP (the telephone utility), and bank shares at IRI.

The leitmotif in these deals is that the public holding company always retains 51 per cent control.

The third road to privatisation is to form joint ventures with Italian or foreign private companies. ENI's joint venture with ICI of Britain for the production of PVC is a good example of this, as a venture between ENI and Mr Raul Gardini's Montedison chemicals group might be if it ever comes to fruition.

IRI's willingness last year to merge SGS, its semi-conductor subsidiary, with Thomson of France, is another valiant effort at both rationalisation and privatisation.

But when IRI, through its STET subsidiary, sought a venture between its Italtel telecommunications equipment maker and Fiat's Telettra, it all ended in controversy last November when the latter pulled out at the last minute alleging political interference.

Politics is hard to avoid when state industry is still perceived by many politicians as feudal territory. And while hardworking and serious men such as Prof. Prodi and Prof. Reviglio have chalked up notable successes in recent years – such as bringing the perennial lossmakers into profit and devoting time and money to industrial and financial restructuring schemes – it is still true that many top jobs in state industry go to candidates of one party or another.

IRI remains very much under the influence of the Christian Democrats and ENI's chairman owes his job to the Socialists, while the much smaller and less relevant third state group, EFIM, has traditionally had a chairman from the much smaller and less relevant Social Democratic party.

"I would be a liar," says Prof. Reviglio, "if I said there was no one at ENI who got their job politically. And I have had some problems, but not many."

The most internecine politics, however, have not been just among parties inside state industry, but have also concerned relations between state companies and the private sector.

The clash between IRI and Fiat last year over the failed telecommunications venture was only one example. And the difficult rapport today between public and private industry is partly the result of decades of intertwining relations between the two, known in Italy as *intrecci*.

These *intrecci* in the 1970s had the public side buying up numerous private lossmakers, and the accusation from some politicians today is that the private sector has recently been buying (cheaply) potential profitmakers.

Now, with the exception of the joint venture route to diminishing the state's presence in sectors such as telecoms and chemicals, it is beginning to look as though the sale of state companies or even minority shareholdings in state companies is no longer in vogue.

Prof. Prodi had one of his more ambitious privatisation sales frustrated as far back as 1985, when the sale of the SME foods group to Carlo De Benedetti was blocked by Prime Minister Bettino Craxi. Prof. Prodi recouped with the Alfa sale a year later, but today he sighs and in a rare use of the disdained word admits: "Perhaps the wave of privatisations has passed."

"The private companies are stronger and have more influence over government policy"

The evidence of a possible counter-wave can be seen in the reported interest shown by IRI's SME group in acquiring control of Montedison's Standa retail chain. Another sign that the state groups may wish to buy as well as sell is found in Prof. Reviglio's admission that ENI's Saipem subsidiary is interested in buying Cogefar, a private construction group.

In parliament, the harshest critic of IRI and ENI policies is Cirino Pomicino, a diminutive Neapolitan MP who chairs the Budget Committee of the Chamber of Deputies and has made a reputation of trying to carpet Prof. Prodi and Prof. Reviglio.

The influential Mr Pomicino, a Christian Democrat follower of the party faction led by Foreign Minister Giulio Andreotti, claims that neither Prodi nor Reviglio have any privatisation strategy.

"These professors that they send us have no entrepreneurial ideas. They are not managers," he says.

Mr Pomicino speaks for many politicians, however, when he argues that in an economy dominated by just a handful of big private groups, IRI and ENI "need to counterbalance the power equation, providing equilibrium."

He is willing to admit that, yes, the parties enjoy certain privileges in state industry, but insists that "the private companies are stronger and have more influence over government policy."

Here Mr Pomicino is referring to *intrecci*, the mentality of trade-offs between the politicians of Rome and industrialists of the North. And this is the environment in which Prof. Prodi and Prof. Reviglio must operate.

Prodi simply smiles wearily when the Pomicino attacks are mentioned, while Reviglio bristles and calls the charges of a lack of strategy "totally false."

ENI's mandate, he points out, is by law more limited than IRI's. "We at ENI must look after the nation's energy needs. We cannot diversify much outside of energy and chemicals."

Given the political backdrop, the two professors are now trying to direct their energies away from privatisation *per se* and toward forming the kind of joint ventures that will at least place Italy in a better position for the European internal market of 1992.

For IRI a major priority now is to reorganise the telecommunications sector and form a global alliance. Prof. Prodi is attempting this by bring together the SIP national telephone service, the Italtel telecoms equipment maker, plus the satellite and international carrier units in one operative company.

To do this he is proposing to transform IRI's STET electronics holding subsidiary into Super-STET, an operative vehicle. But political obstacles could hinder his goal of "creating an Italian version of British Telecom."

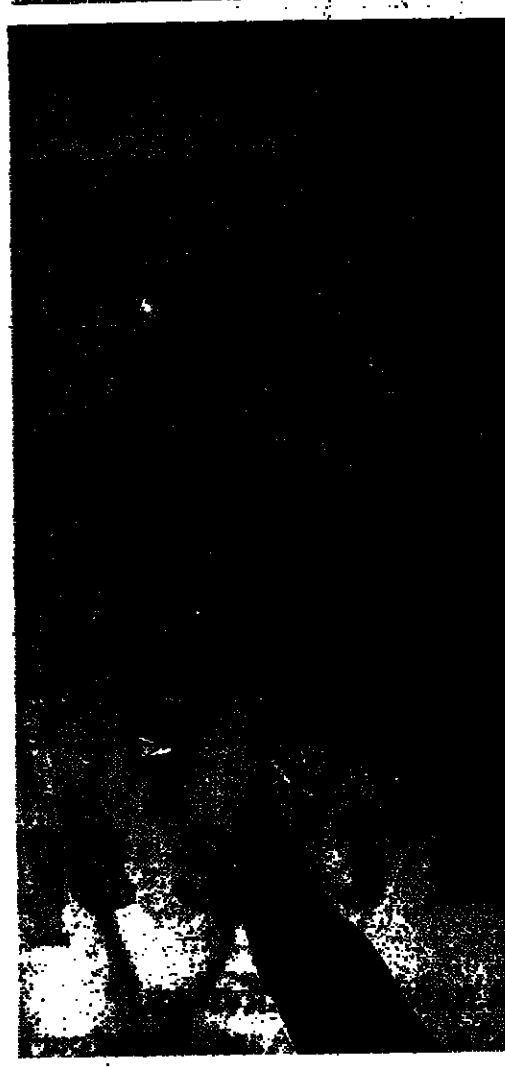
American Telephone and Telegraph (AT & T) could play a key role in Prof. Prodi's plans if it succeeds with its current offer to form an alliance in public switching with Italtel. If this were to happen then Olivetti, in which AT & T is the largest shareholder, would like to form a parallel venture in telematics.

AT & T is considered the leading suitor for Italtel's hand, but there are also offers from Siemens of West Germany, Alcatel of France and Ericsson of Sweden.

ENI, meanwhile, would like to form a joint venture with Montedison in the chemicals sector. But the debt-laden Montedison seems more interested in ventures which would effectively unload unwanted assets at a good price than in pure collaboration.

The result of this complex state of affairs is that privatisation in the Anglo-Saxon sense, which has been the exception rather than the rule in any case, is now definitely on the back burner in Italy. Politics permitting, the outlook is for joint ventures and a softly, softly approach, which can best be summed up as privatisation Italian-style.

Alan Friedman



Franco Reviglio of ENI (top), and Romano Prodi of IRI (above right) face strong criticisms of their leadership from the Christian Democrat MP Cirino Pomicino (left) despite bringing lossmakers in their industries into profit

Write-downs and political interference have dampened the sector

Bank corset threat remains

FOR THE majority of Italian banks there was little to cherish about 1987. Profits were hefty in the 1984-86 period, but last year saw many banks making heavy write-downs on their share and bond portfolios and allocating more funds to bad debt reserves.

Earnings last year, based on the results reported so far, showed little change on the year before.

In Italian finance, meanwhile, the Milan bourse was already in decline last October when Wall Street was hit by "Black Monday."

Despite a recent upturn in some price levels, the Italian market has remained unexciting and Italy's mutual funds have suffered since last summer from heavy redemptions by savers.

In overall terms, the impression that Italy was developing a broader-based market has been rather blunted by the domination of events by a handful of big groups which, in various cases, are accused of riding roughshod over the interests of the small investor.

The respected Bank of Italy, in turn, has been denied the flexible use of interest rates to manage monetary policy because the huge stock of public debt becomes instantly more expensive whenever rates go up.

One tool which the Rome central bank has used has been the *massimale* or corset on bank lending. The corset has been fastened again three times since its supposed abolition in 1984, most recently in the period between September 1987 and last month.

The Bank of Italy finds it intellectually painful to use the *massimale*, but given the free-spending habits of Italian politicians there is little choice. In place of the corset the central bank will now apply "moral suasion."

Mr Nerio Nesi, chairman of Banca Nazionale del Lavoro (BNL), the biggest state bank, says he hopes the corset will not be used again. "The *massimale* seems at times like a useless armament because it hits the entire banking system in a generic manner rather than restricting credit expansion where it is most appropriate. It is a blunt instrument, he says.

Mr Lucio Rondelli, chief executive of Credito Italiano, another leading state bank, echoes many of his colleagues when he says he does not like the corset, but he expresses some sympathy for the central bank, which "does not have an easy time managing the country's monetary policy."

The Bank of Italy, despite the high calibre of its staff and its longstanding reputation for independence and integrity, has over the past 18 months had to battle hard to exert its authority in the face of political interference.

This has reached into the nomination of bank chairmen at state-owned institutions, the ambition of private industrial concerns to buy their way into banks, and the spreading phenomenon of substantial credit lines being handed out by banks to companies which use the loans to engage in financial operations such as "round-tripping" rather than in productive capital investments.

Round-tripping, where companies borrow at rates at or below the interbank level and re-lend the funds at a profit of 50 to 100 basis points, is of particular concern to the central bank.

There is always much rhetoric in the world of Italian banking and finance: about the need to become more competitive and transparent ahead of the opening up of the European Community's internal market in 1992; about the need to improve the embarrassingly inefficient state of retail banking services; and about the need to transform the Milan bourse from an insider's club into a modern and open exchange which serves the broader interests of medium-sized Italian industry and not just a few big groups.

The intentions are all well and good, and progress is being made, but as Italian bankers and brokers put it, there is still a long road to travel.

While bank profitability suffered last year partly because of the downturn in equity prices, many of the 1,100 separate banking institutions in Italy's largely state-owned system have at least paid attention to the need to improve their capital positions. The balance sheets of several banks are now significantly stronger than they were just a couple of years ago.

The response to EC harmonisation in 1992, meanwhile, has varied from bank to bank. Deregulation measures in recent years have spurred traditionally lethargic bank managements to adopt more competitive policies, especially on the corporate lending front.

Banks such as Banca Commerciale Italiana (BCI), the second largest state bank, have sought to shift their loan portfolio toward medium-sized enterprises and away from the traditional "name lending" which sees big names obtaining easy access to big funds. This, of course, is partly because most big Italian companies are highly liquid, enjoying their best cashflows in years.

At BNL, Dr Nesi is trying to prepare for 1992 by expanding the bank's interests elsewhere in Europe and by planning a big move into the insurance sector. At Banca Commerciale, Mr Enrico Braggiotti, chief executive, says he prefers to strengthen his bank at home and is planning to nearly double the BCI branch network by adding 350 new branches in the next five years.

With 1992 in mind, the recent liberalisation of rules on branching is an important step for Italy, and the top 20 banks which account for 80 per cent of outstanding credit are now free for the first time to alter their networks. Even so, foreign banks such as Deutsche Bank and Citicorp have bought themselves branch networks and are showing the Italians what real banking service can be like.

Overstaffing remains a big problem in Italian banking, and it is estimated that the state banks could introduce more automation and easily shed a third of their workforces. But as Mr Lucio Rondelli of Credito Italiano points out: "It is much easier to put robots into a Fiat car factory than it is to modernise Italian banking."

Mr Rondelli, who heads a committee of the Italian Bankers' Association (ABI) on stockmarket reform, admits that it will take much "technical time" to introduce the reforms needed to modernise the Milan bourse as well. He estimates it will be at least another year before the bourse introduces a continuous auction; at present the share prices are read out once each morning.

By the start of this year Milan had just about persuaded investors that it had made progress to resolve the "settlements" problem of delayed payments on share transactions.

But a controversial share deal announced in January by the Ferruzzi foods group – which would transfer financial assets from the Montedison chemicals concern (of which Ferruzzi owns 42 per cent) and offer small shareholders little alternative but to buy new Ferruzzi shares in order to retain a stake in the profitable financial businesses – led to a severe slump in the market and in the view of many analysts caused serious damage to the market's credibility.

It did not help matters when Mr Raul Gardini, the Ferruzzi chief, responded to criticism of the deal by saying it was "an Italian operation in the Italian market and not to be judged by international criteria."

Mr Franco Piga, president of Italy's stockmarket regulatory body, the Consob, also came under fire for not moving fast enough on the Ferruzzi issue. He has been criticised as well for not pushing hard enough for laws to clamp down on insider trading and to govern public takeovers.

Alan Friedman

Italy's Top Ten banks – 1986 (Lbn)

	Total assets 1986	Net profit 1985	Net profit 1986	Net profit 1987
Banca Nazionale del Lavoro	98,727	241.6	266.6	na
Banca Commerciale Italiana	68,292.4	267.6	276.3	314.4
Banca di Roma	67,849.7	45.6	76.4	–
Instituto Bancario San Paolo	63,478.4	144.4	475.3	505.7
Credito Italiano	61,299	200.6	207.8	138.4
Banco di Napoli	60,430	17.2	54.5	62.0
Cariplo	57,044.8	122.3	180.3	212.0
Monte dei Paschi di Siena	48,965.6	179.3	225.7	na
Banco di Sicilia	33,181.8	20.9	24.4	na
Banca Nazionale dell'Agricoltura	31,579.5	43.4	53.2	na

Source: Instituto San Paolo and BCI research departments

Communist co-operatives

Lowering Marxist barricades

KARL MARX is probably turning in his grave. Nearer home and closer in time, Palmiro Togliatti could also be unsettled by recent developments in a central part of Italy's Communist movement.

The Lega Nazionale delle Cooperative e Mutue, the association of Italy's Communist cooperatives, has embarked on a series of operations which is aimed at building a significant presence in the capitalist world of finance.

Ideological barricades are being demolished and psychological blocks overcome in order to re-direct Communist aims along lines which are still considered heretical by the party faithful on the traditional or uncompromising left.

The Lega's finance department is creating a structure which will be able to deploy the weapons sought and wielded by the most thrusting adherents of the free market.

The department's head, Mr Piero Verzeletti, told a recent conference in Venice: "There is no doubt that finance is sick" and that finance for its own sake was a grave distortion of the economy.

"But it is a short step from this to failing to see that there is healthy finance, appropriate to complex economic processes and a part of production. One runs the risk of demonising finance, even that part which is absolutely indispensable to balanced growth of productive forces," he explained.

Mr Verzeletti emphasised that the Lega must, above all, establish a correct relationship with finance. Suitable financial instruments must be made to correspond to its overall objectives. The left-wing cooperative association is espousing capitalism to ensure that a lack of financial muscle does not cause it to miss its aims of seizing opportunities and reinforcing its economic standing.

"We are not interested in money games or pure speculation. But we must not find ourselves forced to abandon production schemes, sectorial reorganisation or innovative projects just because we lack sufficient finance. Our aim is to possess the financial means which are necessary, and nothing more," Mr Verzeletti reassured the Lega's members at the conference.

The decision to exploit the tools of capitalism to further socialist objectives has the whole-hearted support of the Lega's chairman.

Mr Lanfranco Turci, 47 and closely involved in the management of the cooperative movement in Emilia Romagna for 20 years, has been chairman of the parent association for nearly a year. During this time he has backed the developments which are under way.

"There are no difficulties because of ideology or problems over politics. The process is progressive and continuous," Mr Turci says.

As a member of the governing central committee of Italy's Communist Party and a former longstanding chairman of the powerful regional assembly for Emilia Romagna, Mr Turci is well-placed to sense uneasiness in the party hierarchy. Next month the Lega will be opening the Banca dell'Economia Cooperativa (Banec) in Emilia's capital Bologna. Mr Turci hopes that this will soon be followed by branches in Milan and Rome.

Though he does not expect that Banec will have an extensive network, he does not exclude the possibility of speeding up expansion by the acquisition of existing retail banks. He sees the red cooperative's bank as having a national dimension.

A structure is being created which will be able to deploy the weapons sought and wielded by the most thrusting adherents of the free market

Banec is one of five pillars on which the Lega's financial development will be constructed. As yet only two are operational. The insurance company Unipol, whose shares are quoted on the Milan stock market, is well-established. With premium income of L753bn last year, Unipol ranks as Italy's sixth-largest insurance company.

The second pillar on which the Lega can already depend is Fincooper, a national financial consortium. This serves the association's members through companies offering leasing, factoring and medium/long-term finance. Fincooper holds stakes of 19 per cent in Banec and 22 per cent in Unipol.

Fincooper provides an example of how the red cooperative movement is becoming an integral part of Italy's financial system. Its leasing and factoring operations (Leascoop and Factorcoop) were established in collaboration with Ifitalia, Italy's leading company in the sector and part of the Banca Nazionale del Lavoro.

In the area of medium/long term finance Fincooper has agreements with Istituto Mobiliare Italiano (IMI) and Mediocredito Centrale. Banca Nazionale del Lavoro also has a significant stake in Banec, a position it shares with two large public law credit institutions, the Monte dei Paschi di Siena and the Instituto Bancario San Paolo di Torino.

Both these banks are headed by appointees of the Christian Democrat Party. "We have no prejudices regarding relations with banks," Mr Turci says.

This ideological openness is probably no more evident than in the latest of the Lega's ventures into the world of finance. Showing that most ghosts of the revolution have now been exorcised, the Lega has established its own merchant bank, Finanziaria Nazionale dell'Economia Cooperativa Finec.

The main shareholder is Fincooper with a 40 per cent stake. Unipol has 15 per cent and three other cooperatives a total of a further 15 per cent. IMI holds 30 per cent of Finec's share capital, originally L10bn when the bank was incorporated in March last year, but recently increased to L50bn.

"We are not self-sufficient and we need to look for the right partners outside the Lega. IMI has considerable economic power, experience, prestige and expertise," Mr Turci says, explaining why the Lega is in league with one of the moving forces of Italian capitalism.

The Rome-based financial conglomerate has three members on Finec's board, half the number which the Lega appoints. Its total staff of four is unlikely to grow greater than ten.

Finec's chairman is Mr Piero Collina who, like Mr Turci, is a native of Emilia. A member of the Socialist Party, he has been deputy chairman of a major construction cooperative and is currently deputy chairman of a purchasing cooperative with annual turnover of L700bn.

Though steeped in the traditions of the red cooperatives, Mr Collina staunchly upholds the acquisition of capitalist instruments and the strengthening of integration with the market.

"Banec allows the Lega to realise a old dream. People were talking about having our own bank even when I started with the cooperative movement 18 years ago," Mr Collina recalls.

He sees no ideological conflict between socialism and retail and merchant banking operations and believes that the Lega must play to the rules of the capitalist game if it wants to develop.

He is enthusiastic about the opportunities which Finec will offer the Lega's members. The bank's aims are to promote development, assist asset growth and encourage the mobility of capital. Finec will make acquisitions and disposals of shareholdings, in the interests of the Lega as a whole rather than single cooperatives, and provide assistance to members in financial operations, valuations and reorganisations.

Finec's investments will be of two types: temporary and permanent (strategic). Mr Collina describes Finec's 19 per cent stake in Banec as strategic.

Its 40 per cent shareholding in a consumer data bank initiative, Abacus, is considered to be temporary and non-strategic. In this venture it is working in partnership with a French private sector company.

The Lega's merchant bank is allowed to take majority or minority stakes in any sector or place. However, priority will be given to risk capital operations for the start-up or completion of projects in dynamic or innovative sectors (the provision of venture capital) or in assisting reorganisation programmes aimed at increasing productive efficiency in traditional sectors.

Profitability and diversification are the principles which will guide Finec's investment strategy. Generally the bank will aim to keep holdings for between three and five years, disposing of them within the cooperative movement. The Lega does not, however, exclude the possibility of placing such holdings with a wider public.

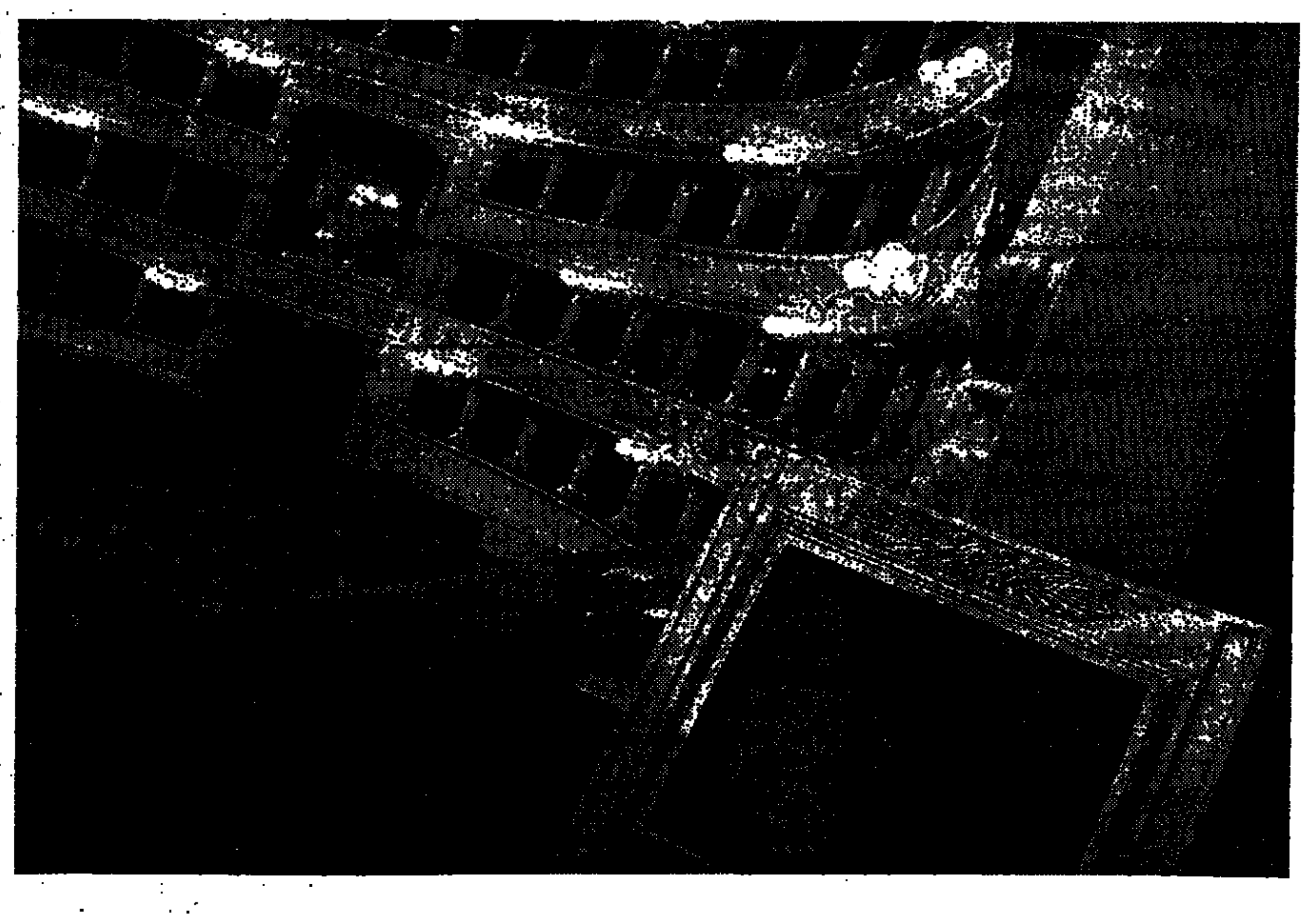
Mr Collina sees Finec's range of services as including the placement of shares in cooperatives.

He does not reject the idea that Finec itself should eventually be quoted. "The groundwork is being done. We aim for maximum transparency. Peat Marwick Mitchell have been appointed as external independent auditors in order to satisfy the requirements of Consob, the companies and stock exchange commission.

"In our first year we returned a profit, using financial investments to cover costs, and our operations will be such that these investments will always be sufficient to ensure a positive result," Mr Collina says.

Profits, like merchant banking, are acceptable words in Italy's red Lega today.

David Lane



Cost pressures and sharper foreign competition are squeezing Italian exporters. **David Lane** reports

Trade balance sliding further into deficit

ITALY'S trade balance worsened last year, with a deficit that slipped to L11,138bn from L3,663bn in 1986. Excluding energy products, the trade balance deteriorated from a surplus of L16,057bn in 1986 to L7,716bn last year.

The reasons are not hard to find. A few years ago it would have been unimaginable to manufacture in China, says Carlo Patrucco, chairman of Fila, the sports and leisure clothes group. But now the windcheaters which Fila sells in the US market are made in Communist China.

While this calls for greater effort in production control, the extra work is more than compensated by significantly lower production costs.

Mr Patrucco, who also deputy chairman of the industrialists' confederation Confindustria, is acutely aware of the need to maintain an edge in pricing and quality in a sector where extremely sharp competition is a byword.

"Globalisation of markets is not just theory at Fila, but daily practice," says Mr Patrucco, whose company will soon also start producing in the US, another measure aimed at protecting US sales against dollar depreciation.

Fila has been selling in the US since 1978 and this market, worth L18bn and equal to 20 per cent of the company's total sales last year, is second only to Italy. "The US market is the biggest and best in the world. We have made a large investment to consolidate our presence there," Mr Patrucco says.

To protect this investment Fila has held its export prices and accepted lower margins as the lira has risen against the dollar. Innovation in design and styling is a key factor behind the penetration of Italian clothing companies in export markets.

But Mr Patrucco believes that this advantage, which has helped to compensate for a competitiveness gap, is now threatened. Companies in other countries are increasingly aware of the factor which helped Italy in the past.

South East Asian countries are gaining ground in the clothes sector, not only because of price but also design, Mr Patrucco says. He adds that *Italy itself is now buying* clothes in growing volumes from West Germany.

Italy's clothes industry is starting to be threatened by competition at home, unthinkable two or three years ago, as well as *facing substitution by competitors* in export markets.

However, the situation is probably worse for Italian shoes, the country's third largest export earner. Export volumes were more than 6 per cent lower last year than in 1986, and about 12 per cent down on 1985 when a record 435m pairs were sold abroad.

Italian footwear manufacturers have felt the impact of competition from the Far East and South America, particularly in the US market. *But shoes of higher price* and quality, like those made by Ferragamo and Magli, have been less affected by the weak dollar and fierce competition than middle and low range footwear.

At the end of last year orders from the US, the second largest export market for Italian shoes, were 16 per cent lower than at the same time in 1986. Orders from West Germany, the biggest foreign market, were down 11 per cent, while orders from British importers were nearly one fifth lower.

Italy's association of footwear manufacturers Anci is worried because low-cost producers such as Taiwan, South Korea and Brazil are now achieving levels of quality which match European standards. British shoppers calling at Peter Lord, the Clarks' distributor, could well believe that the smart leather loafers now on display come from Italy. But the label shows that they were made in Brazil.

Nevertheless, textiles, leather and clothing still form the biggest surplus group in Italy's trade balance, notwithstanding the increased competition. Last year the surplus amounted to L19,480bn, arising from L30,269bn of exports and L10,789bn of imports. But a sharp rise in imports coupled to a weak improvement in exports meant that the surplus was significantly lower than the L30,590bn achieved in 1986.

The sector is being watched closely this year to check if last year's reversal is continuing. A close eye is also being kept on the output of Italy's engineering industry. Though it generated a trade surplus of L14,789bn last year, this fell a long way short of the positive result of L17,659bn which was recorded in 1986.

Italy's trade figures show that there was a sharp rise in imports of engineering products last year, L34,555bn against L29,227bn in 1986. The Bank of Italy notes that buoyant domestic investment caused imports of capital goods to increase by 17 per cent.

South East Asian companies are gaining ground in the clothes sector, not only because of price but also design

Demand friction, with a lack of domestic capacity and resulting higher prices, encouraged buyers to turn to foreign suppliers to satisfy their requirements for investment goods.

While price and delivery are factors which explain the deterioration of trade in engineering products, some manufacturers suggest that sharper foreign competition on products themselves also contributes to Italy's loss of ground.

Nebiolo Macchine, a printing machinery manufacturer of which Mr Patrucco is chairman, has felt directly the encroachment by foreign makers.

"Nowadays others, particularly the Japanese, match the Italians in terms of production flexibility and the ability to tailor equipment to customers' needs," he says.

Both as a individual businessman and as a senior representative of Italian industry, Mr Patrucco is concerned by the declining competitiveness of the country's manufacturing system. He says that Italy has lost ground in the global market for three reasons: the cost of labour, the cost of money and the cost of services.

"Productivity increases in the past were good overall. But it is very worrying that they are now much less. Italian labour costs per unit of production are higher than those of European competitors," Mr Patrucco says.

He describes the Italian situation as unique, with a growing gap between the cost of labour and net earnings. "In March last year every L100 of the wage bill cost the employer L148 and was worth L72 in take-home pay. In 1980 the figures were L140 and L78."

He blames excessive increases in labour costs on political factors, with industry being asked to pay the price of the state's parlous public sector finances through ever-increasing social charges and taxation.

Last year gross salaries increased by 8 per cent and Mr Patrucco expects that the rise this year will be more than 6 per cent. Both figures exceed Italy's rate of inflation.

"In real terms the cost of money in Italy is probably the highest in the world," he believes. He attributes this to the state's enormous appetite for funds to finance the high public sector deficit, and to fragmentation and inefficiency in the banking system.

"Small and medium-sized firms are worst affected by the cost of money. Confindustria wants a reduction of at least 2 per cent in interest rates." The third factor which harms the competitiveness of Italian goods is the high cost of services which the country's manufacturers have to bear. Mr Patrucco scathingly criticises postal and telephone services. He also describes Italy's educational system as backward.

The imbalance between rail and road transport, giving rise to transport costs which are 25 per cent higher than elsewhere in Europe, is caused by poor railway services. Lack of an energy policy leads to energy costs which are 50 per cent higher than in France or West Germany.

"Efficiency in public services is very low. Without this burden profit margins in manufacturing industry could be much higher and our competitive performance much greater. Imagine what the economy could do if these elements of disservice were removed," Mr Patrucco says.

He considers that the 1992 EC harmonisation presents a real challenge. "If there is no improvement in services then Italian industry will have a great problem in being competitive."

In contrast to Mr Patrucco's gloomy view, the Bank of Italy paints a more sanguine picture of Italian export performance and the competitiveness of manufacturing industry.

Though competitiveness declined by 2.2 per cent last year and 2.9 per cent in 1986 compared to 1985, the dramatic inflationary differentials of the late 1970's and early 1980s are no longer a significant worry. The central bank notes that relative prices are only one factor affecting trade. That world demand is of greater importance was clearly illustrated last year.

Italy's trade figures improved noticeably in the second half when a slowdown in domestic demand coincided with an acceleration of world demand. Policy on exchange rates is to delay parity adjustments, which are then not fully compensatory for losses in competitiveness. This approach is aimed at stimulating improvements in industrial productivity.

The bank has no rule which ties the lira to the currency of its second largest trading partner, the French franc, though it admits to watching its movements carefully.

The bank makes no public predictions about Italian competitiveness this year. To do so would be to forecast exchange rate variations.

On the subject of the US market, the bank emphasises that this is significantly smaller than both West Germany and France. Moreover, while the weak dollar hits exports, it also has a positive effect on the costs of raw materials.

The bank notes that Italian gains were considerable when the dollar moved upwards and these have not been eliminated. Large profit margins in North America still offer room for manoeuvre.

David Lane

The Galleria in Milan. With real incomes still rising, Italian consumers are able to spend on growing quantities of foreign goods

Joint ventures

Increasing rapport with Moscow

LED BY party secretary Alessandro Natta, a delegation of Italy's senior Communist Party officials recently visited Moscow to strengthen the links with their Soviet counterparts.

Comradely connections were firm even when Enrico Berlinguer, Mr Natta's charismatic predecessor, was laying down an independent Euro-communist line. So it is not surprising that Mr Natta and his colleagues found a warm welcome in Mr Gorbachov's Moscow.

Well-established and respectable, with a long-standing commitment to democratic processes, Italy's Communist Party has a special relationship with Moscow. But the ties extend beyond the interests of party politics: the fruits of ideological harmony are harvested in the realities of business and trade.

There are strong ties in the traditional flows of imports and exports, with Russia selling raw materials, particularly natural gas and oil to help satisfy Italy's massive energy deficit. Plant and machinery pass in the other direction.

In money terms, the balance lies in Russia's favour. It enjoys a substantial surplus which amounted to L839bn last year, the result of exports worth L3,676bn and imports of L2,847bn.

Italy's largest private sector company, Fiat, has been a major beneficiary of these close commercial ties. The Turin car maker won widespread notice in 1966 when it started building the Togliattigrad car plant, a project completed when Russia's first 124 model rolled off the assembly line in 1970. Since then Fiat has continued to be an important supplier of manufacturing technology to the Soviet Union.

Four years ago Fiat signed a set of guideline agreements with the Soviet authorities for technical collaboration. Russian orders have since been worth about L400bn annually. But notwithstanding its privileged position, the company has not been among those which have announced joint ventures in Russia.

Fiat has been slow in joining the new departure in trading patterns. However, if Mr Gorbachov's plans include projects in the car industry or in other sectors where the Italian company has expertise, then it seems unlikely that Fiat's name will fail to join those of Montedison, ENI, Merloni and Fata which have signed trans-border joint venture agreements.

Italian business has been eager to seize the opportunities offered by a combination of the special relationship and the lowering of barriers which Mr Gorbachov is encouraging.

Already 20 agreements have been signed and nearly twice this number are being negotiated.

Italy's two largest chemicals companies, private sector Montedison and state-owned Enichem (part of the hydrocarbons holding corporation Ente Nazionale Idrocarburi, ENI), are involved in the Tenghiz project which promises to be one of the world's largest petrochemicals complexes.

The size of the project is such that there was scepticism when the news broke last December. It is planned to build the complex at Russia's Tenghiz oil field near the Caspian Sea to use associated gas as feedstock for producing 400,000 tonnes of polypropylene, 600,000 tonnes of polyethylene and more than 1m tonnes of commercial grade sulphur annually.

A protocol of intent was signed in Moscow in mid-March between the Soviet Ministry of Oil Industry, Montedison, Enichem and two other Western partners in the joint venture, the US Occidental Petroleum Corporation and Japan's Marubeni Corporation.

The protocol provides that at least 50 per cent of production from Tenghiz will be sold on international markets by the Western partners. Their total stake in the joint venture will be minority and will not exceed 49 per cent.

A feasibility study, whose costs are being shared equally between the international group and the Soviet partner, is now being undertaken to determine the economic, financial and technical aspects of the project. This will be completed by the end of the year.

The study will determine the allocation of the costs of the project, presently estimated at $6bn. In addition, the feasibility study will make a forecast of profits and the return on investment. ENI is confident that no difficulties will arise in repatriating profits from the Tenghiz project.

The corporation points to the provision in Russia's new law on joint ventures which allows Western partners to take out dividends and assets in foreign currency. By selling products on international markets, the project will generate income in hard, convertible currencies.

In answer to suggestions that such projects weaken the West's position with respect to Russia, Italy's state hydrocarbons holding corporation emphasises that none of the technology in the plant to be constructed at Tenghiz is subject to Cocom embargo.

Moreover, no benefits are expected to arise for the Soviet military, output serving for producing plastic tapes, films and pipes for civil applications.

ENI considers that the Russian majority stake will ensure maximum collaboration on the part of the authorities, thereby avoiding possible bureaucratic delays.

Collaboration will be essential given the logistics of moving the people, equipment and goods connected with the project. Nevertheless, ENI does not expect the project to be trouble-free, given its complexity and the involvement of four different Western companies.

There is some concern that a deterioration of international relations, particularly between the US and Russia, could sour the venture and prevent the expatriation of profits. ENI points, however, to 30 years of collaboration with the Soviet Union and to a relationship which has always been cordial despite the ups-and-downs of international affairs. Montedison also has a long history of engineering petrochemicals plant in Russia.

The Italian state corporation has just spent L1000bn on doubling the pipeline for gas imports from Russia, and its Snamprogetti engineering subsidiary is currently constructing a 160-mile slurry pipeline system for a major coal-water mix project in south-western Siberia.

ENI also has other joint ventures in gestation. A letter of intent was signed a year ago for the construction of an MTBE plant for which the related problems of logistics, financial and marketing have already been resolved. ENI's subsidiaries Nuovo Pignone and Savio have started negotiations for creating a joint venture for the production of small gas boilers.

Italian business has eagerly seized the opportunities offered by the special relationship and lowered barriers which Mr Gorbachev is encouraging

Mr Gorbachov's aims of improving standards for Russian households seem clear: small gas boilers from this joint venture with ENI companies and small electrical goods from Bakmil, a joint venture involving Merloni, the Italian maker of the Ariston brand of refrigerators, washing machines and dishwashers.

Bakmil takes its name from Baku, the city where a factory for manufacturing electric mixers will be built, and Milan, where Merloni Progetti has its headquarters. The Italian company has been active in Russia for the past decade, earning about L200bn through the sale of key-in-hand factories.

The Bakmil joint venture, announced last month, represents an important new step. Merloni will have a 28 per cent stake in an investment estimated to be worth between L35bn and L40bn.

Merloni will supply complete production lines, organise the production process and train staff at all levels. Its Soviet partner will provide the land, construct the buildings, and supply utilities and labour. Bakmil will give jobs to about 250 Russians.

Italian technology is the basis of a joint venture to build industrial-scale refrigerators. Fata, a Turin company, will supply the knowhow and about $8m of $30m needed for the project. Fata says that the factory, which will employ technology from important Italian groups, will be the largest and most modern in the world.

Its output will be sold in Russia and the Third World through a commercial joint venture linking Fata and the Soviet export organisation Prommashexport.

Fata claims that its project, finalised in October, is the first Italo-Soviet joint venture.

The "Togliattigrad philosophy" under which Russia bought factories key-in-hand and then managed them directly belongs to the past. "In the case of joint ventures, Russia must not only export in order to obtain foreign exchange to reward capital invested, but must also accept management which is partly controlled by Western concerns," Fata says.

However, joint ventures offer the possibility of acquiring Western technology, a need which is increasingly necessary to cope with its internal conditions. Italian companies are taking advantage of Italy's special relationship with Russia to exploit these new developments.

Mr Natta's close and comradely connections and Mr Gorbachov's policy of *perestroika* are already yielding practical benefits for Italian business.

David Lane

Bruce Clark ponders the paradoxes of Liguria

Opportunities and contractions

THE POPULATION of Liguria, a coastal strip that includes some of the oldest and greatest industries, the most efficient farming and the loveliest resorts in Italy, is 1.8m and falling steadily.

Genoa, the main city, has lost over 100,000 citizens in the last decade. That leaves 740,000, and one of the city's business leaders says a fall to 500,000 may be inevitable.

Yet Mr Rinaldo Magnani, a portly ex-docker with a wolfish grin who is the region's Socialist president, gives every impression of meaning it as he expounds on "the historic moment of choice" that Liguria is living through. He speaks of opportunities for "a radical transformation of the economy," and for "solutions to last beyond the year 2000".

The food and soft drink industry, and pharmaceuticals, are cited as potential growth sectors

And Genoa's port, after years of decline, has embarked on a plan of breath-taking audacity. It is busy trebling container capacity; the aim is to reassert Genoa as the top port in the Mediterranean, and challenge Rotterdam and Hamburg.

As industrialists and local officials lay out the paradoxes of Liguria's economy, the key word on their lips is *terziarizzazione*, a switch of emphasis from industry to services. There are mixed views on whether this will be any easier to achieve than it is to pronounce.

The theory is that the state-owned heavy industry that dominated Liguria's economy for most of the century is in an inexorable decline; so the future must lie with a revived port, combined with related activities like insurance, financial services and data processing, plus light, high-technology industry and tourism.

The first part of the theory is certainly true. In 1981, Genoa had 109,000 industrial jobs; now there are 90,000. Employment in commerce, transport, banking and insurance has failed to take up the slack, rising by only 3,000 to 160,000.

Liguria's steel industry is a lamentable story of massive public investment and dashed hopes. Genoa and Savona have lost over 8,000 steel jobs in the last 15 years, and the future of the remaining 6,700 employees is murky.

State-owned Italsider has spent over L160bn on modernising its Campi factory in Genoa, including the construction of a hot pressure-casting unit of a sophistication only matched by two other plants in the world, in Oregon and Japan.

The unit came on stream three years ago amid high hopes of selling high-quality steel for tanks, submarines and the oil industry. But last year, Campi lost L105bn and its 1,300 workers have been left on tenterhooks to await the verdict of the new Italian government on their fate.

There is also a question mark over the future of Cogea, the maker of semi-finished steel products which is 30 per cent state-owned. With losses of L165bn last year, the six private companies who control the remaining stock are reported to be restless, with some keen to scale down their participation and others prepared to raise their stake, but only if up to 500 of the 1,600 workers are laid off.

Ansaldo, the showpiece of Italian electrical and nuclear plant engineering, is another state-owned industry that faces problems, albeit not so deep. Some 7,500 of its 14,000 employees are located at its Genoa headquarters.

Last year's referendum, in which Italians effectively voted "no" to nuclear power, caught Ansaldo at an advanced stage in the construction of a nuclear reactor at Montalto di Castro in central Italy. It had also built the turbines for another nuclear power station, Trino 2.

Some 270 employees have been laid off as a direct result of the referendum, and another 400 workers involved with Montalto di Castro face the prospect of losing their jobs. About half the job losses affect Genoa-based personnel.

Ansaldo has fingers in many pies besides nuclear energy: past contracts have ranged from a oil-fired power station in India to a coal-fire one in Yugoslavia and a 900km railway through Brazil; it is also building a metro for Genoa itself. It will keep its nuclear division, for research, decommissioning and possible work in other countries.

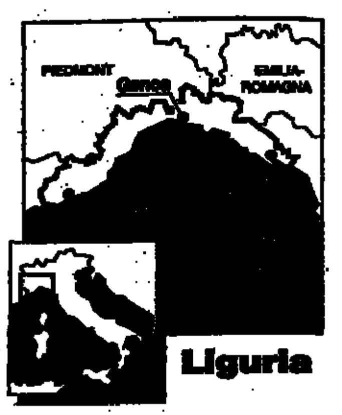
But after exceptionally high profits of L16.4bn in 1986, the company netted only L3.5bn in 1987. The fall is largely attributed to the energy sector.

Against this background, there is certainly a need for the "radical transformation" that Mr Magnani envisages.

Among private industrialists, trade unionists (both Communist and Christian Democratic) and the regional administration, there is a remarkable degree of consensus, at least in theory, on the way ahead.

The decline of heavy industry, it is pointed out, is freeing up large areas of prime real estate, much of it on the Genoa seafront. What is needed is close co-ordination over the use of this land between local authorities and IRI, the public holding company which has many tentacles including the state steel company Finsider, and Fincantieri, the shipbuilders that have cut their workforce at Sestri from 3,500 to 1,500.

The disused areas, all broadly agree, must be used for light, non-polluting industry and services. The local industrialists' lobby, headed by Mr Giorgio Gai, positively insists on a leading role for the state in planning this change; while the Cgil, the Communist labour movement, is equally adamant in stressing the role of the private sector.



Genoa's container port: trebling of capacity is planned

This apparent social consensus, it should be said, could break down overnight if there are heavy job losses at the Campi steel plant. "The fact we are negotiating over the disused areas does not mean that we accept closures," a local Cgil activist warns.

But there are some encouraging signs. The food and soft drink industry, and pharmaceuticals, are widely cited as potential growth sectors.

And the departure of heavy industry from the coast should enable the authorities to clean up the environment and promote tourism. There is much talk of a drive to attract visitors in 1992, the 500th anniversary of the discovery of America by Christopher Colombus, Genoa's most famous son.

While Liguria is known for beauty spots like San Remo and Portofino, Genoa and its medieval centre are often passed by.

A more pleasant environment would also help the Genoa Fair, which draws up to 1m visitors a year to its international Boat and Flower Shows, and now wants to start exhibiting high-technology telecommunications equipment.

Trade unions

Pragmatic line attempted

BEARDED, burly Ottaviano Del Turco is a practising exponent of that "unity of the left" in Italy which his colleagues who lead the Italian Socialist Party relegate to some longed-for future.

As vice-president of the Confederazione Generale Italiana de Lavoro (Cgil) he is the most senior member of the Socialist minority in Italy's largest, but nonetheless Communist-dominated, union federation.

Although almost never without its frictions, this exercise in cohabitation has lasted in its present form since the early 1950s and is recognised as an important piece of ecumenicism in Italy's somewhat politically fragmented society. "The Socialists have undoubtedly saved us from becoming as self-absorbed and inward looking as the French Confederation Generale du Travial," says one Communist Cgil official.

Mr Del Turco, now 44 and speaking with that slightly adenoidal accent common to his native Abruzzo and the Mezzogiorno as a whole, believes that the Socialist membership, about one third of Cgil's 4.5m total, acts as a moderating and modernising influence.

"The socialists' political role in the Cgil is to encourage the growth inside the Communist section of everything that is positive, modern and advanced and to combat the extremist tendencies which still emerge on some issues," he says, sounding less like a pamphlet in Italian than in English.

He acknowledges that the Socialist Party sometimes thinks that its Cgil members are paying too high a price but adds that the Communist Party is frequently critical of the "sacrifices" the Communist leadership makes to Socialist positions within the union. "This suggests a reasonable balance," he adds.

To those who suggest that the rather frequent political infighting within the union dissipates energies that might otherwise be devoted to industrial relations tasks, he hotly defends the Cgil's organising capacities.

Indeed, after eight years in which there has been considerable crowing in Italy about the decline of union power, Mr Del Turco believes that objective observers must now remark that a renaissance is now under way. In the first place, he says that the Cgil's membership among the directly employed is rising after suffering years of steady decline.

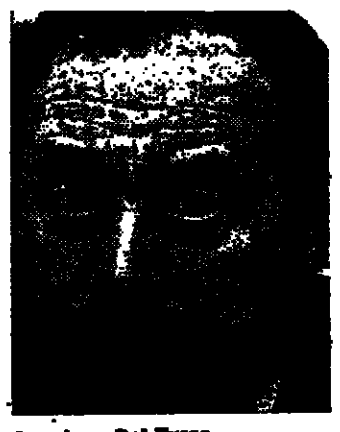
Second, the Cgil with the other two confederations, the Cisl (part of the Christian Democrat "area") and Uil (Socialist), have succeeded in negotiating new agreements covering 14m workers over the last two years. This followed a long period of inactivity when unemployment, employers' intransigence and internal divisions left many deals unrenewed for a year or more.

Third, Mr Del Turco points to the numbers of people who have been mobilised for street demonstrations within the last six months — notably, more than 100,000 in support of tax reforms, and in late March 200,000 women demanding equal opportunities. He sees these as evidence that the unions are in tune with popular concerns which extend well beyond the workplace.

Additionally, there has also recently been the election for a new factory committee at Fiat's key body assembly plant at Montefiore where the rate of unionisation is probably no more than 80 per cent but where more than 90 per cent of workers cast their votes for union candidates.

"This shows that people still feel a need for unions to defend their employment," Mr Del Turco says.

The unions have not had a recognisable role at Fiat since the late 1970s when their militancy was held partly responsible for nearly bringing the company to its knees. Mr Del Turco believes that the mobilising and negotiating task is now very much more difficult than even in those recent days.



Ottaviano Del Turco

Mr Del Turco says Italian capitalism has become "rampantly profitable" in recent years, and there is plenty of evidence that workers want a greater share of the spoils. Nonetheless, unions are much more aware of the inflationary dangers of excessive wage pressure, even if their members are less so.

As a result, union policies have to be "an intelligent mix" of demands for non-inflationary salary increases and tax reforms. This is a live issue in Italy because directly-employed workers pay a disproportionate share of the state's tax revenues, not because of inequality in tax rates, but because the self-employed evade far too much of what they should be paying.

But "responsible" trade unionism on the pay front brings with it dangers of rank and file alienation. Workers at Rome's Fiumicino Airport, for example, have recently dealt an embarrassing blow to union authority by leading the rejection of a national pay deal for airport staff largely because it did not satisfy their demands on working hours.

In the past few months the Italian public sector, largely transport but also schools, has been plagued by pay strikes by groups complaining that the official unions are failing to represent their interests properly.

These rank and file committees, or Cobas as they are called, have been a recurrent problem for almost 20 years, Mr Del Turco says.

Pointing out that all enjoy guaranteed employment in the public sector, he says that some, such as the train drivers and even teachers, are trying to reclaim positions lost in the salary hierarchy.

"The unions cannot do much about Cobas. We cannot block school examinations (an action currently under way in some Italian schools) because we have millions of members with children in schools. We cannot halt the railway system every week because we have members who need it to get to work."

He believes the important thing is that the Cobas cannot make collective agreements, because they are not recognised, so in the end they will have to deal through the established unions.

The unions' public sector problem extends beyond dissident rank and file groups. There is a growing demand from the membership at large for more efficient bureaucratic and welfare services, but it is union members within the public sector who are often most resistant to rationalisation and reforms.

"You cannot have a private industry which in some sectors is as efficient as the Japanese and a public administration which is backward, inefficient and unproductive," Mr Del Turco observes, and claims that the unions are gradually confronting the problem. For example, last year's public sector pay deals contained an "incentive fund" dedicated to paying for efficiencies as a result of which the opening hours of some public offices are being extended.

John Wyles

The extent to which Italy's newspapers and TV are controlled by industrialists and politicians is becoming increasingly controversial

Media faces anti-trust legislation

ITALY'S media world is currently in a period of intense competition and unprecedented political scrutiny from Rome.

The country's major newspapers are locked in costly circulation battles, the law governing television is about to be rewritten and a growing number of legislators are demanding that anti-trust legislation be introduced to avoid the potential for manipulation of the media by both corporate and party political interests.

Over the past 12 months one of the hottest issues in Italian politics has been the question of whether leading industrial groups wield too much influence over the press.

The control of the flow of information can certainly be translated into power, and media critics in Italy charge that while the politicians have carved up the three networks of the RAI state television system, leading entrepreneurs are doing the same with the print media.

In Italy, the papers controlled by industrial concerns mostly tend to avoid taking overtly partisan political editorial lines, aside from a generally anti-Communist line. But the papers may be skewered toward support for specific corporate objectives, and tend to reflect the views of their owners in "corporate politics." Many journalists, meanwhile, engage in a fair degree of self-censorship.

"Some 70 per cent of the Italian press is either controlled or influenced indirectly by just two industrial groups, Agnelli and De Benedetti," complains Cirino Pomicino, the Christian Democrat chairman of the Budget Committee of the Chamber of Deputies. "Can you imagine what would happen if the two of them ever got together?"

Both Gianni Agnelli, chairman of Fiat, and Carlo De Benedetti, chairman of Olivetti, have come under fire from various politicians. Agnelli's Fiat group controls two of Italy's three most influential newspapers: it owns 100 per cent of La Stampa, the Turin daily, and it is the largest single shareholder in Gemina, a Milan investment vehicle which in turn owns majority control of the Rizzoli-Corriere della Sera newspaper and publishing group.

De Benedetti holds between 25 and 30 per cent of Mondadori, Italy's second-biggest newspaper and publishing concern after Rizzoli, and he recently received the mandate to speak for a further 25 per cent stake owned by the family of Mario Formenton, the late Mondadori chief.

Critics in Rome assail Mr De Benedetti's likely assumption of the chairmanship of Mondadori as an unhealthy development as it indicates still more involvement by industrialists in the media.

Their criticism of the Agnelli group revolves around the fact that Fiat has been told by Mr Giuseppe Santaniello, the parliamentary watchdog on media affairs, that it is violating the law which restricts the control by one group of newspapers whose daily circulation exceeds more than 20 per cent of the market.

Ironically, the most intense competition in Italian print media is between papers in the Agnelli and De Benedetti orbits. The battle is between the Corriere della Sera, which used to be Italy's leading newspaper, and La Repubblica, the enormously successful paper that is partly owned by Mondadori.

The two papers have spent vast sums of money on glossy colour magazines, prizes and other promotional gimmicks. La Repubblica is far and away winning the circulation war.

Neither Agnelli nor De Benedetti appear to see any problem with their forays into the media business. Mr De Benedetti recently told an Italian television interviewer he saw nothing wrong with industrialists owning sectors of the press and Mr Agnelli told a French magazine that to say Italy's press was not absolutely free was to pronounce "a heresy."

But politicians across the spectrum appear to feel that Italy needs clearer guidelines on the concentration of media ownership. And the debate over Italy's television system is so dear to the hearts of Prime Minister Ciriaco De Mita and Socialist leader Bettino Craxi that it became one of the key issues discussed during their recent talks on forming a new government.

Enrico Manca (left), president, and Biagio Agnes, director-general of RAI, the powerful TV network with a monopoly of live broadcasting.

Each of the two politicians has a good friend who owns a private television network. Mr Craxi is close to Silvio Berlusconi, whose three commercial stations enjoy 45 per cent of the national prime time audience, equal to that of the three RAI stations. Mr De Mita is friendly with Callisto Tanzi, who has diversified from his flagship Parmalat foods business to set about building the Odeon TV network (which is far smaller than either RAI or Berlusconi).

But the extensive Craxi-De Mita negotiations are not the fruit of these personal friendships – there is a more urgent matter at hand. In early June, Italy's Constitutional Court is scheduled to rule on the validity of a 1985 law governing television broadcasting.

The so-called "Berlusconi law" was introduced after magistrates temporarily shut down some of Berlusconi's stations. The law legitimised the system that allows Berlusconi to get around the monopoly RAI enjoys on national live broadcasting by shuttling video tapes to 800 relay stations which transmit simultaneously to create the illusion of a national network.

Both De Mita and Craxi are afraid that the court might strike down the 1985 law, which would create potential chaos. So they have come up with a plan which will likely be submitted as fresh legislation.

Its details were not official at the time of writing, but the compromise is expected to authorise Berlusconi to broadcast live for the first time and to introduce a nightly news programme on one of his three stations. It will also probably contain some anti-trust guidelines for television; at present none exist.

In particular, there is agreement on a provision which says that groups owning newspapers cannot also control television stations and vice versa. This so-called "zero option" would have the effect of forcing Mr Berlusconi to dispose of his stake in Il Giornale, a Milan newspaper.

It could also cause the Rizzoli group, which is deemed to be indirectly controlled by Fiat through its shareholding in Gemina, Rizzoli's parent, to abandon plans to buy a 50 per cent stake in Telemontecarlo, a Monte Carlo-based channel that beams live news broadcasts into Italy.

For Berlusconi, the right to live broadcasting is not merely attractive because of the clout that comes with news programmes. The broadcasting of live sports events is a highly lucrative (and low-cost) opportunity.

One thing which the new law on Italian television is unlikely to address is the traditional influence that political parties enjoy inside of RAI. The carving up of RAI stations by politicians is talked about quite openly in Rome, but it is always somewhat surprising to non-Italians.

And while the phenomenon of political influence in state broadcasting has been seen elsewhere in Europe (Belgium is one example), there is no other country where it is found in such pure form as in Italy.

In Italy almost everything controlled by the state is up for grabs under the system of political patronage known as *lottizzazione*, or allotment, and at RAI this means influence over appointments ranging from management posts down to the selection of news readers.

And it is a matter of little or no embarrassment to the parties that the three RAI stations, Rai Uno (1), Rai Due (2) and Rai Tre (3), are influenced in substantial ways, including editorially, by the Christian Democrats, Socialists and Communists (respectively). This is simply the way things are done in Italian state television.

The 15-member RAI board of directors is appointed by parliament and usually sees plenty of horse trading. In typically Italian fashion, the allocation of board seats is weighted to reflect the national vote-getting clout of each party. Thus the Christian Democrats have six seats, the Communists have four, the Socialists have three, and the Liberals, Republicans and Social Democrats have one seat each.

To get ahead at RAI one usually needs to have either a *tessera* or party membership card, or one needs to be of a certain *aria* or political leaning.

The only problem with all of this unabashed sharing out of the spoils by Italian parties is that RAI is supposed to be – in theory and by statute – a politically neutral and objective public service.

Alan Friedman

Organised crime is creating a straitjacket for businesses

Barriers to public contracts

TO THE non-Italian there are many extraordinary aspects to the Mafia phenomenon, but none more so than its remarkable anonymity.

Obviously, police and magistrates in its Sicilian birthplace can name the leading Mafia families and many of their leaders, but they are the first to admit the vast gaps in their knowledge – particularly when it comes to identifying businesses which may be directly owned by the Mafia or which may be fronting for the organisation.

Equally obviously, this makes life extremely uncomfortable for the legitimate businessman in Sicily. Leoluca Orlando, the bustling, brave 41-year-old Christian Democrat Mayor of Palermo who has become a major symbol of the long-awaited but slowly emerging anti-Mafia culture in Sicily, frequently says that "suspicion is the ante-chamber of truth."

The Mayor means that there are many local politicians and businessmen rightly suspected of being linked to or of being actual mafiosi, and that all that is missing is the conclusive proof. But it is also the case that Sicilian companies, such as they are, feel tarred by the brush of suspicion.

Above all, they complain of being deliberately denied access to the public works contracts which are the lifeblood of the Sicilian economy and which, it must be said, have long been an extremely lucrative source of income for the Mafia.

The result – and this is a theme being taken up by the Sicilian Communist Party which remains the Mafia strongest political adversary – is a growing "colonisation" by northern companies, even including the Communist-controlled Lega Co-operativa.

At the same time, however, Mafia businesses are being squeezed out as primary contractors, but only to appear as sub-contractors, often controlling "healthy" companies through intimidation, and as suppliers of materials.

Clearly, allocating large contracts to companies from the north of Italy runs against the urgent need to develop the local economy where per capita income is only 67 per cent of the national average, the unemployment rate is more than three times that of the north and there is a dire shortage of technical skills of almost every kind.

This undoubtedly is one of the paradoxes of the developing struggle in Sicily against the Mafia. The region has an urgent need for entrepreneurial development but, says Mr Giuseppe Azzarello, president of a Sicilian constructors' consortium, its tiny entrepreneurial nucleus has fallen victim to attempts to prevent public contracts falling into Mafia hands.

"The Mafia problem is undoubtedly penalising us, the region has only recently started to be industrialised and our needs are not understood," says Mr Carlo Malavasi, president of the Sicilian industrialists.

He and his fellow businessmen feel their plight even more sharply in the face of a new wave of big spending on infrastructure which is about to break over Sicily. In Palermo alone, L4,500bn is due to be spent by the end of next year, although on past performance both the city government and the regional administration are hopelessly incapable of fulfilling their allocations from Rome.

One of the principal legislative weapons for choking off the supply of contracts to Mafia companies is the so-called La Torre-Rognoni law.

Passed in 1982 and bearing the name, La Torre, of a regional secretary of the Sicilian Communist Party who was subsequently assassinated by the Mafia, this subjects aspirant bidders for public contracts to an examination of past and present activities for evidence of underworld connections.

Aftermath of a Mafia mass trial. The body of Antonino Ciulla lies in the street where he was shot after being acquitted with 113 others last December.

Sicilian businessmen accept the need for these procedures, even if they complain that it sometimes excludes the innocent as well as the guilty.

Dr Giovanni Falcone, the Palermo magistrate who has emerged as another public hero of the anti-Mafia struggle, has publicly admitted that application of La Torre-Rognoni may be somewhat hit and miss because of the shortage of people in the Sicilian Prefecture trained in reading balance sheets.

But Mr Malavasi and others are less happy about a regional law passed in 1981 which limits companies eligible to bid for a public contract to those that have previous experience of contracts of a similar size.

By definition, this will tend to exclude most local companies from some of the mega-projects for motorways, acquaducts and sewerage systems which are in the pipeline.

In addition, local Sicilian companies lack the capacities to plan, finance and execute very large projects. Partly as a response, many are now forming themselves into consortia in the hope of winning contracts.

In the meantime, however, as Mr Malavasi complains, they are being limited to sub-contracting work put out by large northern companies "which we don't like because we are under their sway and we don't get such good terms."

After decades in which Mafia companies could count on "friends" – usually Christian Democrat politicians and bureaucrats – to channel public contracts in their direction, Mayor Orlando is determined to show that "there are no companies which are friends of the Mayor."

His major innovation has been to introduce an auction system for communal contracts to which guide prices are attached and the award made to the lowest bidder. Claims for unforeseen expenditures – a time-hallowed practice which bumps up the cost to the public exchequer and profits to the contractor – are excluded and premium payments made if work is completed ahead of schedule.

Mayor Orlando brandishes with eloquent satisfaction the results of his "transparent, democratic" method of awarding contracts. From August 1985 to the end of 1987, some L77bn has been saved on contracts initially priced at L318.9bn.

Meanwhile, the stranglehold on communal contracts enjoyed by some companies – for example, street and lighting maintenance belonged to two firms for 40 years – has been broken.

But knowing that his ramshackle and still Mafia-penetrated bureaucracy cannot cope with the mega contracts to be awarded in the coming years, the Mayor has this year requested central government involvement in the future planning and award of large contracts.

Encouragingly, his wish should be granted by legislation which has made unusually rapid progress through the Italian parliament in the last two months.

But nevertheless, the prospect for local businesses remains bleak. Leaders such as Mr Azzarello and Mr Malavasi are torn between acknowledging the necessity of these radical changes in the award of contracts and expressing anger and resentment at their diminishing prospects of gaining a larger share.

They can point with some justice to the fact that the Mafia is still not being excluded, not least because huge profits from drugs may be funding artificially low bids for Mayor Orlando's contracts from some Mafia companies which may have slipped through the filtering net.

Moreover, some northern companies are almost certainly paying protection money to Mafia families and those that refuse still risk suffering the fate of Camillo Boscia, a contractor from Puglia who was murdered on March 2 because, magistrates think, his company may have refused to nominate a Mafia sub-contractor or to do business with a Mafia supplier.

Local Sicilian companies have been forced for years to buy off the Mafia in one form or another and the biggest ones may even have had to take in Mafia shareholders in order to expand their business into the organisation's stronghold in the west of the island.

Judge Giacomo Conte, a young member of the Falcone anti-Mafia team of magistrates in Palermo, believes that "honest Sicilian businessmen must be close to the Mafia in order not to be destroyed."

He and his colleagues see them as victims and think that it would be unreasonable to put pressure on them to denounce their criminal oppressors.

Says Judge Conte: "If businessmen denounced those practising extortion, it would make life very much more difficult for the Mafia. But they are frightened."

John Wyles

Support is growing for a stronger equal opportunities law

Women demonstrate for jobs

TOURISTS IN Rome at Easter were surprised to see a woman driving a huge orange tractor down Rome's via del Tritone.

Italy's political leaders and some of its male union chiefs are said to have been even more surprised to see that the tractor was followed by an estimated 200,000 women in an unprecedented procession that took more than three hours to snake through central Rome.

Chanting slogans, waving flags and dancing to drumbeats, the women had come to the capital from all over Italy to demonstrate for "a job for each of us, a different type of job, and a society without violence."

Political support is growing for a national law promoting widespread action that would remove the continued obstacles to greater employment and advancement for women, and provide incentives for women seeking to start in business.

So far, action to improve women's lot in the jobs market has been the province of collective industrial bargaining. "But there is a growing awareness that this is not enough," says Maria Teresa Palleschi, a researcher on female labour at Isfol, the government-funded Institute for the Development of Professional Training for Workers.

Women, who constitute 52 per cent of Italy's population, today represent only 35 per cent of Italy's total workforce and 33 per cent of the total number of Italians with jobs. However, their presence in the workplace is growing. At the end of 1986 the number of women employed had increased 14.2 per cent since 1977 while, in the same period, male employment increased by only 0.42 per cent.

In 1987, when overall employment dropped, there were 124,000 fewer men with jobs than in 1986 and only 99,000 fewer women.

The employment of women is also expanding considerably in the tertiary, or services sector, which has now joined the public administration and commerce as their principal workplace. In 1987 when male jobs in the services sector declined by 10,000, 192,000 more women got jobs in services.

Official statistics also show that women have also made significant strides in self-employment. According to figures compiled in 1986 by the National Commission for Equality, women in 1985 constituted 14 per cent of entrepreneurs and self-employed professionals.

"More and more women are going into business for themselves," says Paola Valori, president of Aidda, the Italian Association for Women Entrepreneurs.

Ms Valori says many young women are turning to business because of the growing overall unemployment. "But it is also a fact that today many prejudices have disappeared, so that banks and other financial institutes make judgements on purely business considerations without caring if the entrepreneur is a man or a woman."

Such changes are occurring in the professions too. Between 1971 and 1981 the number of women doctors, dentists, magistrates, lawyers, notaries, engineers and university professors increased two to threefold.

Some of the changes are immediately visible. Over the last year in Rome, for example, women have appeared on the scene for the first time as state police, mounted police, railway workers and street cleaners.

A wavy-haired blonde named Tiziana Di Natale recently became the city's first female bus driver. And the smartly-dressed young woman helping to escort an American diplomat to work in Palermo a few weeks ago, turned out to be a plainclothes anti-terrorist, or Digos, agent armed with a Beretta.

But the biggest shifts, those in attitude, are harder to perceive, says Maria Chiara Bisogni, an official of the giant left-wing Cgil trade union and one of the women involved in organising the March 26 demonstration.

"Overall, Italy's 10m housewives still outnumber the 7m women who go outside the home to work. But the lower the age group you look at, the more that number declines."

When women in the 14-24 age group are questioned, she says, almost no one will identify herself as a housewife. "Work has become essential to most women's identity, so if she's not working, a woman of that age will describe herself as *disoccupata*, or unemployed."

Experts believe the change in the way in which Italian women view themselves reflects the huge leap in education that has taken place in Italy over the last two decades. But that has also proved to be a mixed blessing. For while female employment has been growing so has female unemployment and underemployment.

In 1986 57.3 per cent of those in search of work were women and the unemployment rate for women stood at 19.6 per cent, compared to 8.1 per cent for men.

In Italy's South the situation is considerably more difficult. "In the North," Ms Bisogni says, "women may often be underemployed but by 25 they have found work, even if at fast food counters or as messengers on motorbikes. In the South, at 25 they are still looking.

A recent university survey shows that women are generally promoted three to five years later than their male counterparts

In fact in the Mezzogiorno, where the overall unemployment rate was 19.9 per cent, the rate for women reached 32.3 per cent at the end of 1986. "With more and more women attending secondary school and gaining university degrees "female unemployment is going to be a major problem in Sicily and in the rest of the South in coming years.", says Prof. Salvatore Butera, head of research at the Bank of Sicily.

On paper, Italy's 1977 law on equality between the sexes is one of the most advanced in the West. Nevertheless, in many sectors women lag far behind.

"Women are often their own worst enemies," says Paola Valori, who believes the low number of women in managerial positions reflects in part the unwillingness of many women to make the sacrifices necessary to have a real career.

But other women disagree. Feminists like Ms Palleschi charge that slavish dedication and other male attitudes to work are not necessarily to be held up as a model. "Furthermore, if the law removed many forms of formal discrimination, it has not removed the latent discrimination that continues to block women's advancement," says Isfol's Michou Cattan.

According to a study carried out at ENEL, the National Electricity Board, the percentage of women within the company has risen only from 16.5 per cent in 1965 to 17 per cent at the end of 1986. And although 8 per cent of the women who work at ENEL have college degrees, only 1.5 per cent of company executives and 2.3 per cent of its professionals are women.

"In other words, says Ada Grecchi, head of personnel at the Milan ENEL office and president of an internal commission on equality, "more than 80 per cent of us are hired as secretaries and retire as secretaries."

In fact, although state companies such as Italtel and the Banca Nazionale di Lavoro have started programmes designed to rid themselves of mechanisms impeding the career advancement of women, most private and public structures are still strongly male-dominated.

According to the organisers of a women's conference held in Senigallia last month, only 400 of Italy's 5,260 state managers are women. The situation is even worse in the private sector, where only 3 per cent – 4,000 out of 130,000 – of executives are women.

A recent study by the prestige Bocconi economics and financial university in Milan shows that women are generally promoted three to five years later than their male counterparts, that they receive between 20 and 25 per cent less in pay, and get fewer fringe benefits.

Whatever their political affiliation, Italy's women appear to agree that a new breakthrough is needed to consolidate past advances and remove the remaining obstacles. Several Bills designed to promote affirmative or "positive" action are currently before Parliament.

There is pressure for a special plan for female employment in the South and for vocational counselling for junior high school students.

Ms Bisogni says that her office in the Cgil also wants collective agreements revised to include quotas for hiring that reflect local employment situations.

Ms Bisogni said she and her colleagues are trying to apply it now – inside their own union.

"Since only eight per cent of the positions in the Cgil's national secretariat are occupied by women, it's clear our own men are the first not to practice what they preach," she says.

Sari Gilbert

Energy

Growing threat of black-out

DARK PROSPECTS loom on Italy's energy horizon. Some Italians are now asking how soon electricity power cuts will again start to affect the patterns of their everyday lives.

They remember that only ten years ago the state electricity corporation, Enel, was forced to introduce a scheme of planned cuts in supplies. Most households and offices lost electricity for about two hours each week at peak times.

Householders arranged their shopping trips to avoid arriving home when lifts were out of service, and prepared lunch with a watchful eye on the clock. Office workers were careful in timing the morning *cappuccino*. Even now, some lifts display notices warning users of the times at which the stairs should be used.

Enel's deficiency in generating capacity lay at the root of the inconveniences which users suffered towards the end of the 1970s. The economic recession at the start of the current decade, the commissioning of new plant and rapidly-growing recourse to electricity production surpluses in neighbouring countries has spared Italian users power cuts during the 1980s.

But for how much longer will this state of grace continue? Enel's calculations suggest that lights could start to go out around the middle of the next decade.

Earlier this year the corporation published its five-year investment programme (1988-1992) and demand forecasts to the end of the century. Last year the total demand for electricity amounted to 210 terawatt hours (TWH).

Enel's model, which assumes both annual GDP growth of 2.5 per cent and energy savings, forecasts electricity demand of 315 TWH in the year 2000. On these projections, Enel considers that it will need 65,500 megawatts (MW) of capacity by the year 2000 and 56,600 MW in service by 1995. At the end of last year the corporation was able to call on 43,069 MW of generating capacity.

These figures underlie the corporation's concern about its ability to meet demand and its efforts to construct new plant.

Enel's plans are directed towards two fundamental objectives: the maximum diversification of energy sources and the greatest possible reduction in dependence on imports; and, second, a balanced distribution of production plant throughout Italy.

The corporation considers that the contribution from two of the country's three existing nuclear power stations (Caorso and Trino Vercellese), and completion of the station currently under construction at Montalto di Castro, is an essential part of diversification and indispensable for meeting demand. Though last November's referenda produced a result which was resoundingly anti-nuclear, a parliamentary resolution in December seemed to leave the door slightly ajar.

Italy's energy demand

	1980	1987	1995	2000
Total energy demand (mtoe)	147.0	152.9	171.8	182.7
Oil demand (mt)	98.6	91.5	87.8	90.4
Electricity demand (twh)	180.5	209.7	257.0	305.0

Source: Unione Petrolifera

Construction of a second station at Trino Vercellese was suspended indefinitely and a decision taken to shut the 160 MW Magnox station at Latina, operational since 1965. But the 860 MW BWR station at Caorso and the existing 260 MW PWR station at Trino Vercellese were to be subject to additional safety checks and then re-started.

However, it is difficult to envisage that the stations at Caorso and Trino Vercellese will start to supply the grid before the question of the 2000 MW BWR station at Montalto di Castro is resolved.

Parliament decided that this station, whose construction is nearly three quarters completed, should be subject to additional safety checks and to a feasibility study of the economics of conversion to alternative fuels.

Enel claims that Montalto di Castro offers a level of security equal to the highest in the world.

Moreover, the feasibility study suggests that switching to gas-firing or to a multi-fuel configuration at this stage would be uneconomic. However, the Greens, radicals and left-of-centre parties, including Bettino Craxi's Socialists, are unconvinced. So the battle over Montalto di Castro continues.

Mr Silvano Santini, director of energy at the Ministry of Industry, says that there will be no growth of nuclear power in Italy.

"Electricity generation from nuclear power will be tightly restricted by the results of the referenda and parliament's resolution. But those stations already built must be brought into service. However, this is a political matter and requires a government decision," he says.

Italy is barely managing to maintain what was, even before Chernobyl and November's referenda, a precarious presence in the field of nuclear power. But at the same time it is failing to move forward with the construction of other types of power station.

Mr Santini says: "Siting is a great problem. Nuclear power is strongly opposed, but nobody wants coal either."

Indeed, Enel is facing considerable problems in making progress in its programme of constructing coal-fired stations or converting from oil to coal.

The annual energy report published last year showed the difficulties which confront Enel in its efforts to turn paper plans into practice. The large coal-fired stations in the South at Brindisi Sud (4 x 660 MW), Gioia Tauro (4 x 660 MW) and in Sicily (4 x 320 MW) have all encountered strong opposition.

In the North, the 2 x 320 MW station at Tavazzano in Lombardy will now be gas-fired. On the coast between Genoa and the French frontier, the building of port works for coal handling at Vado Ligure is an obstacle to expansion.

Further south, in the Tuscan port of Piombino, conversion to coal and an expansion plan has run foul of local opinion.

In February a local referendum at Monfalcone in Italy's north-east corner overwhelmingly rejected the construction of a second conventional thermal station in the area.

"Coal is neither dirtier nor more polluting than oil. But it is difficult to convince the public of this," Mr Santini says.

He points to the work which Enel is currently undertaking in coal technology and says: "We expect results from fluid bed technology in the near future."

Enel has two experiments underway in this field. Under the corporation's coal-water mix programme, which started in 1984, experimental work is at an advanced stage. A dual burner capable of taking coal-water and fuel oil has been developed and recently put into operation at a power station in Sardinia.

Dual burners will be fitted on standard 320 MW units at power stations near Arezzo in Tuscany and Mantua when the Sardinian experiment is completed.

Nevertheless, however good the results, Enel, the Ministry of Industry and the Government will still be faced with an enormous task of convincing communities that power stations should be built in their neighbourhoods.

Enel's five-year programme contains an appendix which illustrates the complexity of siting procedures. However, Mr Santini is hopeful that a new procedure of evaluating environmental impact, *valutazione impatto ambientale*, will resolve the problem.

One of the three working parties engaged on drafting a new national energy plan (PEN) has had the task of examining the relationship between energy development and environmental protection and health safeguards. Another has been studying the problems connected with reforming the administrative system which governs energy.

Though the new PEN does not contain names of sites proposed for power stations, a sure source of contention, the material prepared by these two working parties promises some inflamed discussion when parliament debates the plan.

Electricity will probably be the central issue, given the problems in siting and its growing importance in satisfying national energy demand.

Enel expects that by the end of the century electricity penetration will be 20.9 per cent, compared to 15.4 per cent in 1986 and 12.1 per cent in 1975. Moreover, through the use of nuclear fuel and coal, electricity offers scope for diversification and greater energy independence.

Mr Franco Reviglio, chairman of state hydrocarbons holding corporation ENI, has been a lone voice warning that prices will start to rise during the next decade. However, even ENI has bowed to the current situation and made cutbacks in its national resources programme which aims at substantial increases in indigenous production of natural gas and oil.

Enel's plans also contain a national resources programme. Last year 23.1 TWH, 11 per cent of total electricity demand, were imported. If the corporation's construction programme is completed, then no imports will be needed in the year 2000.

The association of private sector oil companies, Unione Petrolifera, believes that Enel is optimistic. It expects imports of 24 TWH in 1995 and 30 TWH in the year 2000.

Enel already has a rationing policy by being the only European country to operate progressive tariffs. But rationing by power cuts is a growing threat. "Black-outs are a real possibility if power stations are not built," Mr Santini says.

David Lane

Puglia: chasing hard to achieve further development

Influx into productive region

IN THE Bari headquarters of the biggest bank in Puglia, the extreme south-eastern region of Italy, 20 economists were discussing progress of the local economy.

In the course of an hour the lights at the Cassa di Risparmio di Puglia failed four times, an ironic reminder that the region, while strong on initiative, is short on infrastructure.

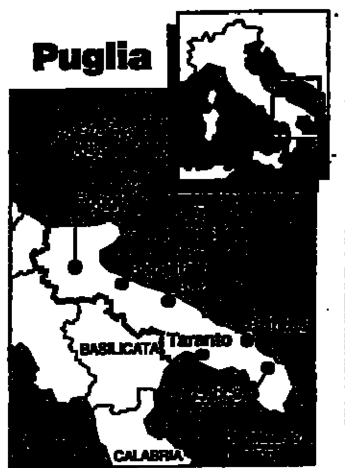
In the pecking order of the under-developed Mezzogiorno, however, Puglia is the second most industrialised region after Campania. Gross Domestic Product in Puglia exceeded L45,600bn (£20.7bn) last year, showing 8.4 per cent nominal growth compared with 10.2 per cent nationally. The most recent comparative figures, for 1984, show per capita income in Puglia as L57.5m against L10.7m in Italy as a whole.

The region's population now exceeds 4m, with the rise explained partly by an influx of people looking for work.

Although distant from the European market, with international flights from the regional capital Bari only to Yugoslavia, Puglia is outward-looking, with 700km of coast and is blessed with natural advantages.

Geographically, the region comprises 53 per cent plain, more than twice the national average, and a post-war irrigation programme led to Puglia becoming Italy's biggest producer of olives, grapes and citrus fruits. Vegetables, tobacco, flowers and increasingly kiwi fruit are abundant, as are cereals inland.

"Puglia's plain has meant a lot of mobility, more dynamism and greater access to markets," says Mr Mario Dilio, editor of the Cassa di Risparmio's review, Delta. He adds that Puglia has been fortunate in having no home-grown organised crime: no Mafia, Camorra or 'Ndrangheta.




Round-roofed village buildings, unique to the province

But the Pugliesi say their regional development is like the skin of a leopard – in spots. Nor is there a uniform economic pattern in the five provinces.

Brindisi and Taranto are dominated respectively by petrochemicals and steel, both shrinking; Bari, and to a lesser extent Lecce and Foggia, have a mix of commerce, agriculture, and small to medium industry. The largest company in Bari, for instance, is the industrial vehicles group Calabrese with 2,000 workers and a L192bn turnover.

In the region as a whole, a quarter of the workforce is in industry, compared with 38 per cent in the centre-north. Agricultural employment has fallen sharply to the present 22 per cent but dwarfs the centre-north's 1.8 per cent.

Bari itself, with its mercantile tradition, acts as a spur to Puglia. The city has Tecnopolis science park and is home to the Fiera del Levante, founded under Mussolini because it suited his expansionist ambitions and now the country's biggest exhibition centre after Milan.

The main September fair attracts 2m people and is not intended merely as a shop window. "Fiat does not only show its latest car but explains what it is doing for the Mezzogiorno," says press officer Mr Pasquale Satalino.

The Fiera attempts to boost marketing under brand names of Pugliese businesses. A lack of effective marketing afflicts all sectors and, too often, value on Pugliese products is added *outside* the region. Nationally-known Pugliese wines, such as Locorotondo for example, are rare, and much is used for blending with thinner northern wines.

Coldiretti, the body representing small farmers, says there is a shortage too of technical assistance in what to cultivate to suit the mass market. The region's farms, averaging 4.7 hectares, are considerably smaller than the average for Italy and its farmers have an almost sacred relationship with the land which is not receptive to research into, say, uniform produce.

The under-developed food industry is ripe for growth – as is tourism – but Puglia has a poor record for investment.

"Businesses do not like risk," says Mr Dilio. He points out that the three IRI-controlled banks provide loans in Puglia totalling only 62 per cent of deposits there while they lend more in Lombardy than they collect locally.

"The difference is made up by money drawn from less well-off regions; the weakest help the strongest."

Investment from outside the region has had a chequered history. Firestone at Bari is a rare example of a foreign venture. National policy has shifted from state ownership to investment incentives but privatisation by national groups has sometimes resulted in a plant being closed.

Mr Giuseppe Trulli, general secretary in Puglia of the Cgil union confederation, says: "Puglia has had all the negative aspects of industrialisation. In the type of industry we have, the brain is outside the region. When a crisis breaks out the limbs are cut off."

He looks for re-industrialisation in areas such as high technology and environmental concerns. "There is a gap in the quality of development that is detaching us from north Europe and putting us more in the Third World."

But the Pugliesi know that for projects such as those sought by Mr Trulli they cannot rely on creaking public administration. Much depends on their capacity as self-starters.

As the region's largest daily, La Gazzetta del Mezzogiorno, said in a special supplement on the economy: "We are making progress. . . even if we're doing it on our own."

John Simkins

Taranto

City caught in steel crisis

WHEN the Italian Government bestowed Italsider steelworks on Taranto in the 1960s the intention was to jump-start the local economy into life and spawn an independent industrial manufacturing sector.

This did not happen and now Puglia's second largest city, with an unemployment rate of 18 per cent, is caught up in the country's steel crisis.

Last month a general strike in Taranto, a major naval base on the Ionian sea, was held in protest at the proposed loss of 5,000 of Italsider's 20,000 jobs as part of restructuring by the parent group, Finsider.

Sixty per cent of Taranto's workforce, totalling 42,000 jobs, is in manufacturing industry. "Of these, 80 per cent depend wholly or partly on Italsider," says Mr Nicola De Benedictis, general secretary of the local Chamber of Commerce. "If Italsider has a crisis the whole system goes into crisis."

What particularly disturbs him is that Taranto is wholly unprepared to enter the post-industrial world.

"Puglia has 33 per cent less economic infrastructure than the rest of Italy – such as energy and advanced telecommunications – and 25 per cent less social infrastructure, namely research centres and efficient public administration. Taranto lacks both kinds of infrastructure."

It has no airport, port traffic is heavily dependent on Italsider, and unlike Bari no university to inspire an entrepreneurial spirit.

This lack, says Mr De Benedictis, explains why only 30 per cent of Taranto's companies is in services compared with 60 per cent in Milan. Indeed, of Taranto's 20,700 businesses only 2,405 are in advanced services. The great majority finds refuge in small commercial operations.

How does Taranto extract itself from this predicament? Agencies such as SIP, the telecommunications body, will not set up projects if there is no demand so Mr De Benedictis believes the impetus must come from state assistance.

There is ample provision for this. Law 64, passed in 1986, foresees the spending of L21,000bn (£9.5bn) in the Mezzogiorno up to 1995 and is aimed precisely at closing the advanced services gap with the North.

But it is here that the dead hand of Italian bureaucracy makes its burden felt, with central and regional administrators unclear as to their roles. "Law 64 is not being used well," says Mr De Benedictis. "The funds exist but there are few projects."

As a result, Taranto – Italy's 15th biggest city – slipped from 65th place in per capita income in 1980 to 69th in 1985. The sombre prospect is further descent.

J.S.

Many groups are working to restore Italy's historic monuments

Big effort to save the past

TWO EVENTS in the last few years have done most to turn the tide in efforts to restore Italy's historic buildings, monuments and paintings.

One was the passing of a Law (No. 512) in 1982, which allowed substantial tax concessions to those sponsoring restoration work or major exhibitions.

The second was a cry of alarm raised by Mr Antonio La Regina, head of the archaeological section of the Cultural Heritage Ministry, about the rate at which Rome's stone and marble monuments are deteriorating under the combined attack of car exhausts and oil-fired central heating.

This led to the passing of a special Law to protect Rome's open-air sculpture and monuments, providing for L180bn to be spent over five years, with a further L60bn added last year.

This is not immediately cheering to the estimated 45m "art" tourists who visit Italy each year because major works of antiquity have been encircled by scaffolding and covered by green mosquito nets, under which restorers have been working for the past six years.

Mr La Regina says that the trickiest problem is the maintenance and future protection of the buildings and statues that have been cleaned and restored. If the damaging smog is not to be allowed to left on monuments (with the long-term effect that marble and stone crumbles into chalk) yearly washing will be necessary.

Now that the painstaking restoration work has been completed, this can be done in the future by mobile cranes without the need for scaffolding. Politicians have at last realised that money spent on the conservation of Italy's cultural heritage brings a sure return – about L9,000bn a year in cultural tourism.

Rome city council has taken Mr La Regina's demand for the reduction of pollution seriously enough to ban private cars experimentally for certain hours of the day from the city's historic centre, while Florence has placed a total ban on unauthorised traffic.

Mr Giuseppe Basile at the Central Institute for Restoration in Rome says cynically that in Italy a natural disaster is needed to get any major work of restoration under way. The year 1966 was the year of the Florence floods and of the *acqua alta* in Venice, and saw the birth of the Unesco-sponsored Venice in Peril fund, which is still financing major restoration.

Naples in the South has received an immediate first instalment of L90m for the restoration of damaged historic buildings and works of art after the 1980 earthquake.

Mr Basile's measured optimism about Naples is due partly to the birth of an inspired private initiative by Napoli 99, a group of well-to-do Neapolitan women philanthropists led by Mirella Baracco.

In the four years of its life, the foundation has held three international conferences and has found sponsors for major restoration works in Naples, such as that of the Arco di Trionfo (built by Guillermo Segrera for Alfonso of Aragon's entry into Naples), the cloisters of Santa Chiara, and the frescoes by Domenichino in the Cappella del Tesoro di San Gennaro.

The advantage of enlightened and sensitive promoters of restoration such as Napoli 99, Mr Basile says, is that they work in close cooperation with the local state officials responsible for the city's archeological and architectural heritage.

Any desire for rapid results in restoration may be disastrous, Mr Basile believes. A case in point is the ruinous restoration of Leonardo's The Last Supper in the refectory at Santa Maria della Grazie in Milan, which is being repaired at Olivetti's expense.

The origins of this lay in a disagreement between the *Sovrintendente per i Monumenti* and the *Sovrintendente per i Beni storiche e artistiche*, as to whose jurisdiction the wall painting lay under.

Work began without first checking the atmospheric conditions, with the result that in February last year, having reached about half-way across the painting, restoration work had to be halted, and the Minister for the cultural heritage issued a decree closing the painting to the public while careful controls were made.

The work is now visible again but is in a pitiful state: a restorer in the 18th Century had painted in what was missing of Leonardo's work, and this having been removed a large part of the cleaned painting has flaked off the wall.

A similar fate is being forecast by architects and art historians for Brunelleschi's miraculous cupola for Santa Maria del Fiore in Florence.

In 1979, when work began to check the condition of the cupola, it was decided to fill with scaffolding the 48 holes which Brunelleschi had conveniently left, so as to support the 16 floors of scaffolding inside the cupola necessary for restoration of the frescoes by Vasari and Zuccari inside.

Critics insist that not only could the filling in of the holes provoke serious damage, but that since the rate at which cement expands is 20 times greater than that of brick, that the cupola might even explode.

The most publicised work of restoration going on in Italy at the moment is undoubtedly that of Michelangelo's frescoes on the Sistine Chapel's ceiling, sponsored by Nippon TV.

Infinite credit goes to the leader of the small group of Vatican restorers, Prof. Gianluigi Colalucci, who has kept his cool while furious controversy raged around him, centring round the belief that, although the ceiling is painted in true fresco, Michelangelo had altered it with extensive glazing and secco painting after the intonaco had dried, which the restorers have now removed.

The protests came mainly from a group of Italian artists outraged at the transformation of a greyish/purple surface, on which figures could be picked out with difficulty, into a glorious and astonishing explosion of saffron yellow, brilliant oranges and lime greens, as well as the startling emergence of the fictitious architecture.

Prof. Colalucci was hurt by the comment of the art historian, James Beck, from Columbia University: "It's a disaster" – which he has rebutted, proving that Michelangelo used no glazing.

The restorers have now arrived at the centre of the ceiling, decorated with the Creation of Man. From close to, the outline of Michelangelo's cartoons can clearly be seen, and the fineness and clarity of the colours admired.

But while the insults flew over the Sistine Chapel restoration, work was quietly going on to restore the Raphael stanzas a few metres away – surely works hardly less loved and admired than those of Michelangelo – and nobody said a word.

Jennifer Grego